

3 1761 11701914 1

RB6341



Presented to
The Library
of the
University of Toronto
by

Dean V.W. Bladen

HANDBOUND
AT THE



UNIVERSITY OF
TORONTO PRESS

Cage

CA1

Z1

-60A7

Canada. Royal commission on the
automotive industry.

Hearings. V. 1-2, 1960.

1961



Digitized by the Internet Archive
in 2023 with funding from
University of Toronto



CANADA

W. Bladen

ROYAL COMMISSION ON
THE AUTOMOTIVE INDUSTRY 1960

HEARINGS

HELD AT
OTTAWA

VOLUME No.: *1*

DATE:
OCT. 24.

OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CO. LTD.

372 BAY STREET
TORONTO

EM. 4-7383

EM. 4-5865



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

I N D E X

Submission of:	<u>Page.</u>
General Motors of Canada Limited -	6
Ford Motor Company of Canada Ltd. -	40
Chrysler Corporation of Canada Ltd.-	66



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

ROYAL COMMISSION ON THE AUTOMOTIVE INDUSTRY 1960

Ottawa, Ontario.
24th October, 1960.

held before Vincent Wheeler Blayden, Commissioner,
at the Parliament Buildings, Ottawa.

PRESENT:

Mr. C. D. Arthur)	
Mr. S. Stykolt)	Economic advisers to the
		Commission.
Miss E. Leitch		Secretary of the Commission.
Mr. L.P. Kavanagh		Administrative officer.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 THE CHAIRMAN: Ladies and gentlemen,
2 I think I should first present my credentials,
3 I have here my commission.

4 ELIZABETH THE SECOND, by the
5 Grace of God of the United Kingdom,
6 Canada and Her other Realms and
7 Territories QUEEN, Head of the
8 Commonwealth, Defender of the Faith.

9 TO ALL TO WHOM these Presents shall
10 come or whom the same may in anywise concern,

11 WHEREAS pursuant to the provisions of
12 Part I of the Inquiries Act, chapter 154 of
13 the Revised Statutes of Canada, 1952, His
14 Excellency the Administrator in Council, by
15 Order P.C. 1960-1047 of the second day of
16 August, in the year of Our Lord one thousand
17 nine hundred and sixty, a copy of which is hereto
18 annexed, has authorized the appointment of Our
19 Commissioner therein and hereinafter named to
20 examine and make recommendations upon:

- 21 (a) the present and prospective competitive
22 position of the Canadian automotive
23 industry, in Canadian and export
24 markets, as compared with automotive
25 industries of other countries;
26 (b) the relations between the companies
27 producing motor vehicles and parts
28 in Canada and parent, subsidiary
29
30



1 or affiliated companies in
2 other countries and the effect of
3 such relations upon production in
4 Canada;

5 (c) the special problems and competitive
6 position of the industries in
7 Canada producing parts for motor
8 vehicles, and the effects thereof
9 upon the production of vehicles in
10 Canada;

11 (d) the ability of the Canadian industry
12 to produce and distribute economically
13 the various types of motor vehicles
14 demanded or likely to be demanded
15 by the Canadian consumers; and

16 (e) measures that could be taken by
17 those in control of the industries
18 producing motor vehicles and parts
19 therefor in Canada, by the labour
20 unions concerned, and by Parliament
21 and the Government, to improve the
22 ability of such industries to provide
23 increased employment in the economic
24 production of vehicles for the
25 Canadian market and export markets;

26 and has conferred certain rights, powers and
27 privileges upon Our said Commissioner as will by
28 reference to the said Order more fully appear.
29
30



1 NOW KNOW YE that, by and with the
2 advice of Our Privy Council for Canada, We do
3 by these Presents nominate, constitute and
4 appoint Vincent Wheeler Bladen, Esquire, of
5 the City of Toronto, in the Province of Ontario,
6 to be Our Commissioner to conduct such inquiry.

7 TO HAVE, hold, exercise and enjoy the
8 said office, place and trust unto the said
9 Vincent Wheeler Bladen, together with the rights,
10 powers, privileges and emoluments unto the
11 said office, place and trust of right and by
12 law appertaining during Our pleasure.

13 AND WE DO hereby authorize Our said
14 Commissioner to exercise all the powers conferred
15 upon him by section 11 of the Inquiries Act and
16 be assisted to the fullest extent by government
17 departments and agencies.

18 AND WE DO hereby authorize Our said
19 Commissioner to adopt such procedure and methods
20 as he may from time to time deem expedient for
21 the proper conduct of the inquiry and sit at
22 such times and at such places as he may decide
23 from time to time.

24 AND WE DO hereby authorize Our said
25 Commissioner to engage the services of such
26 counsel, staff and technical advisers as he may
27 require at rates of remuneration and reimbursement
28 to be approved by the Treasury Board.
29
30



1 AND WE DO hereby require and direct Our
2 said Commissioner to report to Our Governor in
3 Council with all reasonable despatch, and file
4 with the Dominion Archivist the papers and
5 records of the Commission as soon as reasonably
6 may be after the conclusion of the inquiry.'

7 This is given under the Great Seal.

8 I do not think it is necessary to produce
9 evidence to identify myself as the said Vincent
10 Wheeler Bladen.

11 May I next present my colleagues.
12 Miss Leitch, who is Secretary of the Commission,
13 has been responsible for the administrative matters
14 that I have studiously neglected. She is also
15 responsible for the direction of the economic
16 research on my behalf.

17 I am supported here also by two of the
18 economic advisers whom I have recruited to aid
19 me in this study, my colleague from the University
20 of Toronto, Dr. Stefan Stykolt, Professor of the
21 Department of Political Economy, and Mr. Douglas
22 Arthur, an economist on the staff of the Department
23 of Finance, who has been seconded for temporary
24 duty with this Commission; Mr. Kavanagh, of the
25 Department of Trade and Commerce, has been seconded
26 as Administrative Officer, and Miss Cheeseman,
27 private secretary to Miss Leitch, is also here,
28 and myself.

29 Before I go further I want to dispell a
30



1 misunderstanding. A large part of the hearings
2 seems likely to be concerned with the production
3 of passenger cars. I have given assurance that
4 the special problems of producers of commercial
5 vehicles and that of the great variety of
6 producers of automobile parts are not being
7 neglected.

8 I have received many private submissions
9 and have studied them. I have had private
10 conferences with particular groups of producers,
11 and many others are contemplated.

12 I should like to say that I have been
13 received everywhere with the greatest friendliness,
14 and, indeed, I would say generosity, and I am
15 confident that I can continue to rely on all
16 concerned to answer the questions which in the
17 course of the study, not merely this week, I shall
18 be wanting to ask.

19 So I have arranged to hear the submissions
20 from the three biggest automobile companies
21 operating in Canada, General Motors, Ford and
22 Chrysler.

23 I therefore ask Mr. Walker, President of
24 General Motors of Canada Limited, if he would
25 make his submission.

26 MR. WALKER: Mr. Commissioner, ladies and
27 gentlemen: First, Mr. Commissioner, I would
28 like to thank you for your invitation to appear here
29
30



1 as the representative of General Motors of Canada
2 Limited and for the opportunity to contribute to
3 the Royal Commission's inquiry into the prospects
4 for our industry in regard to our ability to
5 manufacture vehicles and parts therefor in Canada.

6 Since our company began it has been our aim
7 to achieve a high volume of automobile production
8 in Canada, and in this we have been successful,
9 and our success has yielded handsome returns to
10 the economy in terms of employment for many
11 Canadians, in our factories, in our offices, and
12 the field staffs and the factories and offices
13 of our many suppliers in Canada, and similarly
14 through the enterprise of our dealer organization
15 from coast to coast. We believe that our continuing
16 aim is consistent with the aim of the Royal
17 Commission. We welcome this inquiry as a vehicle
18 which can assist us in our efforts to increase
19 both employment and production in Canada. It is
20 our sincere desire to make positive contribution
21 to this proceeding in all possible ways.

22 It is my purpose today to use this
23 occasion to present to you a short resume of the
24 formal submission which General Motors of Canada
25 Limited made to this Commission. If, when I have
26 finished, you have any questions, I shall be glad
27 to answer them to the best of my ability.

28 Our formal submission begins with the
29 description of our origin and growth as a Canadian
30



1 company. In 1907, when R.S. McLaughlin designed
2 his first automobile for production in Oshawa,
3 it was his intention that the car should be all
4 Canadian in its content of labour and materials.
5 It soon became apparent, however, that to compete
6 in the rapidly growing automobile business there
7 were certain components which it would be necessary
8 to import from the United States, where output
9 had already been established in sufficient volume to
10 provide a lower unit cost of development and
11 operation. Canadian production could not
12 economically absorb those costs and still maintain
13 competitive selling prices, and accordingly an
14 arrangement was made with the Buick Motor Company
15 of Flint, Michigan, to supply Mr. McLaughlin with
16 engines from a contract which also gave him
17 access to all Buick's other development work.

18 When Mr. McLaughlin decided to build
19 Chevrolets in Canada in 1915 he entered into a
20 somewhat similar agreement with the Chevrolet
21 organization in the United States.

22 Three years later, when Chevrolet joined
23 General Motors Corporation, these close working
24 arrangements with Buick and Chevrolet in the United
25 States led to the sale of the two McLaughlin companies
26 to General Motors Corporation and to the organization
27 of General Motors of Canada Limited.

28 This was 1918, and the automobile industry was
29
30



1 now generally established on a firm basis. Improved
2 tools, machinery and working conditions all were
3 contributing more to efficient operation, which
4 in turn was lowering the cost of the products,
5 enabling more people to buy them and generating
6 more employment at a higher pay. The successful
7 evolution of the industry in the United States was
8 assured by the development of research facilities
9 on a substantial scale. The small volume Canadian
10 manufacturer shared in the benefits of these
11 facilities as they were being established.

12 In summing up the history of production
13 by General Motors of Canada Limited, our submission
14 points out that from 1907 through May, 1960, we
15 have built 3,801,387 cars and trucks. Of these
16 we have exported 702,149, and in the same period
17 we imported less than 254,000 vehicles for sale
18 in Canada. I believe you will agree with me that
19 this record of 15 cars built for every one imported
20 and $2\frac{1}{2}$ exported for every one imported illustrates
21 a real contribution to the development of our
22 Canadian economy. This ratio, of course, is no
23 longer being maintained.

24 As we point out elsewhere in our submission,
25 we spent \$465 million in Canada for goods, services,
26 wages and taxes, or an average of \$2 million every
27 working day. We have 4,000 suppliers across
28 Canada; our employment this year is approximately
29
30



1 14,000 people; we have nearly 1,300 dealers,
2 with an estimated 20,000 people on their payrolls.

3 As for the present and prospective
4 competitive position of the Canadian automobile
5 industry, we believe that the history of the market
6 during the past ten years provides a good indication
7 of its direction. During these years the growth
8 of total sales of all vehicles has been impressive;
9 but since 1956 the Canadian produced share of the
10 total market has been declining progressively.
11 This Canadian built share fell from 82.4 per cent
12 of the Canadian market in 1955 to 62.9 per cent
13 in 1959. Figures so far for 1960 do not suggest
14 any imminent reversal of this trend. The imported
15 cars, which again have such an increasingly large
16 share of the Canadian market, are primarily cars
17 of European origin selling at prices below
18 \$2,200. During these same years, that is from
19 1956 to 1959, imports from the United States,
20 while subject to temporary influences, show
21 no progressive trend and continue to represent
22 a relatively small share of the Canadian market.

23 The price advantage of European imports
24 over domestically produced cars is the most
25 important reason for their success. The
26 introduction of Canadian built smaller cars has
27 not been effective so far in reversing the trend
28 of the European imports. Exports of Canadian built
29
30



1 cars are declining at an even more serious rate,
2 and sales of Canadian built cars here in Canada.
3 The record high of Canadian produced exports was
4 achieved in 1929, with nearly 102,000 cars and
5 trucks. In 1959 Canada exported less than 19,000
6 cars and trucks. Increased competition of the smaller,
7 lower priced cars produced and exported by the
8 expanded European automobile producers has been a
9 major factor in the decline of Canadian exports.

10 In addition, obstacles exist to the
11 importation of Canadian automotive products in
12 several important Commonwealth countries. These
13 obstacles include quotas, Commonwealth content
14 regulations and discriminatory methods of establish-
15 ing values for taxation.

16 Despite the restrictions on Canadian
17 vehicles entering foreign markets, we continue to
18 enjoy some share of the world export market,
19 especially with our Canadian Pontiac models which
20 have been developed in this country. Our prospects
21 with this particular line of cars remains relatively
22 favourable.

23 The Commission's terms of reference asks
24 about the relationships between the Canadian
25 companies and parent or subsidiary or affiliated
26 companies in other countries. The operations of
27 our company have been distinctly Canadian ever
28 since Mr. McLaughlin, who is the present Chairman
29 of our board, came from Oshawa in 1907.
30



1 All of our officers and entire management
2 personnel are Canadians. Since its formation in
3 1918 General Motors of Canada Limited has been a
4 wholly-owned subsidiary of General Motors
5 Corporation, which in turn is a publicly-owned
6 corporation with equity shares listed in Canada on
7 the Toronto and Montreal stock exchanges.

-

-

-



1
2
3 Of the 301,801 passenger cars built in
4 Canada in 1959, General Motors of Canada produced
5 49.8 per cent. In the same year 129,399 passenger
6 cars were imported from Europe, and of these our
7 company imported 23.3 per cent. Included in the
8 total European passenger car imports from Europe
9 there were about 73,000 from Britain. Since all
10 of General Motors of Canada's European imports have
11 come from Britain, this meant that we imported
12 41.3 per cent of all British imports. During the
13 same period 24,533 passenger cars were imported
14 from the United States, of which number we imported
15 45.6 per cent. Canada's exported passenger cars
16 in 1959 amounted to 15,075, and our company pro-
17 duced 44 per cent of these.

18 Our relationship with the various oper-
19 ating divisions of General Motors Corporation in the
20 United States gives us the benefit of their technology
21 together with the lower unit cost of their high
22 volume, and at the same time permits a maximum of
23 productive labour to be developed here in Canada.

24 Our relationships with General Motors
25 Corporation and the various staff services it makes
26 available, places at our disposal whenever we wish
27 to seek them, facilities and experience in engineering,
28 production, marketing and finance. We have, of
29 course, taken advantage of these opportunities in
30



the creation of addition manufacturing potential and higher employment.

Decentralized operations and responsibilities with co-ordinated policy is a basic concept of General Motors Corporation. This concept places the responsibility for the operation of General Motors of Canada directly on its Canadian management.

Our comments on the parts industry in Canada are brief. General Motors of Canada manufactures many parts itself, and from this first hand experience we have a real awareness of the problems facing the parts industry. We both know that increases in the price of components can reduce ultimately the demand for Canadian-made vehicles, and inevitably the demand for Canadian-made components. At the same time, any program which will expand the sale of Canadian-made cars will automatically benefit the Canadian parts makers.

Now, turning to the ability of the Canadian automotive industry to produce and distribute economically the popular makes of automobiles, we find no more indication now than we have found at any time during the past quarter century that Canadians want an austerity automobile as such. It is true that many want a cheaper automobile, but it can be easily demonstrated that as important cost items are stripped from a car that quality



1
2
3 and performance are reduced much more rapidly than
4 price.

5 Some European cars have not done and are
6 not doing as well in the United States as in Canada.
7 They account for only 8 per cent of the U.S. market
8 as compared to over 28 per cent of ours.

9 The price of a Vauxhall Victor Super
10 four-door sedan in Detroit is \$15 more than that of a
11 Corvair standard four-door sedan. In Toronto,
12 however, the same Vauxhall sedan sells at \$566
13 less than the Corvair. The combined Canadian sales
14 and excise taxes are \$320 on the Corvair and \$201 on
15 the Vauxhall. Thus, lower sales and excise taxes
16 account for \$119 of the \$566 price advantage of the
17 European built car in the Canadian market.

18 In the United States British cars cost more
19 than in Canada; domestically produced cars cost less
20 than in Canada, and in the United States there are
21 substantially less taxes on passenger cars.

22 Since our submission was prepared prior
23 to the latest rulings in regard to matters of duties
24 and taxes which were recently announced by our
25 Government last week, these figures will be delayed
26 for 1960, and the effect of the new rulings, we
27 believe, will be that this disadvantage will be re-
28 duced.

29 General Motors of Canada have explored
30



1
2 carefully the possibility of manufacturing and
3 assembling Vauxhalls in Canada. These studies have
4 led us to the conclusion that we could not justifiably
5 undertake such a program because of higher labour
6 costs in Canada and a lower excise-sales tax base
7 on the car imported from Britain than on the same
8 car manufactured in Canada. Our studies also
9 disclose that we can manufacture very few of the
10 required parts economically in competition with duty-
11 free imported parts made in Britlain.

12 The ability of the Canadian automobile
13 manufacturers, including General Motors of Canada,
14 to produce economically in Canada the various types
15 of European vehicles currently representing over
16 28 per cent of the domestic market, depends in
17 considerable degree on the Canadian Government and
18 its willingness to give equitable treatment to
19 Canadian manufacturers as compared with importers
20 of European cars.

21 We have recommended in our submission that
22 the discriminatory excise tax on automobiles was
23 originally imposed as a war-time measure to reduce
24 automobile demand, but the need today is to increase
25 sales of Canadian built cars, which will increase
26 employment in Canada. In addition to the removal
27 of the excise tax, it is necessary to correct the
28 inequity that exists in the application of the sales
29
30



1
2 tax as presently applied to Canadian-built cars
3 as against European cars. It uses domestic
4 manufacturers' sales value as the base for taxing
5 domestically produced goods, but a much more remote
6 and hence lower value for the taxation of imported
7 goods. We recommend that the base for sales tax
8 to be established on the same basis for domestically
9 produced cars as for imported cars.

10 We have also suggested that the Government
11 could assist the industry to provide increased em-
12 ployment by negotiating trading terms with Common-
13 wealth and other countries, so that in all markets
14 the Canadian automobile manufacturers will be
15 accorded the same ease of entry for their exported
16 cars as Canada permits to imported cars.

17 That brings me to the close of my
18 commentary, sir, on our brief.

19 THE CHAIRMAN: Thank you very much, Mr.
20 Walker. We have studied your brief, and this helps
21 to remind us of the points that you made.

22 Now, I would like to ask for a little
23 elaboration and clarification and I think I would
24 like to discuss with you first, Mr. Walker, the problem
25 of imports and particularly the problems of your
26 Vauxhall. Would you first explain a little more
27 clearly the problem of discrimination resulting from
28 the difference in the tax base allowed in domestically
29
30



1
2
3 produced and for imported cars. In other words, the
4 30 per cent discount allowed for imported cars as
5 compared with the tax at the lower level of manu-
6 facturing?

7 MR. WALKER: It is not just the 30 per
8 cent, of course, it is the fact that the importer pays
9 the tax on the price that he pays in England; he
10 pays the tax, but he is excused the tax on all
11 insurance, all ocean freight or any costs of trans-
12 porting that vehicle to Canada -- this, of course, is
13 an important item -- whereas the Canadian-produced car
14 is taxed at the price that we sell it to the dealer,
15 and which we will add to the dealer, so it is not the
16 same matter of the discount, it is the total cost of
17 bringing this car across the ocean and all of the
18 commercial expense, all of the costs of distributing
19 it to the customer; that is nearly all of the costs.

20 THE CHAIRMAN: But if it was based on the
21 price in England with the normal domestic discounts
22 so that the extra allowance was not permitted, would
23 you still think that this was discriminating in favour
24 of the importing company?

25 MR. WALKER: Yes. It is only a part of it.

26 THE CHAIRMAN: When in the Automobile
27 Chamber's brief it is suggested that the sales tax be
28 revised to provide for a presumed wholesaler when
29 one doesn't exist, this is a change which is not
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 19 -

1

2

3

suggested as an alternative to the revision of value
for duty on imported cars, but in addition?

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30



1 MR. WALKER: Yes, we are talking about
2 two distinct things. We are talking about the
3 price that is paid -- that is one thing, and that
4 is completely separate from the development of the
5 wholesale price on which the tax is based, and it
6 depends on what you call "wholesale price".

7 Is it what the importer sells to the dealer, or
8 what he pays for it in England? These are two
9 completely different things.

10 THE CHAIRMAN: You say in your brief, and
11 in your remarks this morning you have indicated, that
12 one of the important factors in deciding that you could
13 not assemble the Vauxhall in Canada arises from this
14 discriminatory application of sales and excise tax.
15 Are you able to estimate yet what the effect of the
16 new ruling will be; how much it will raise the cost
17 of your imports, and how near this is to affecting
18 your judgment as to the economy of assembly here?

19 MR. WALKER: We have not completely assessed
20 it, no, sir. It depends on the price that is allowed,
21 and this is only, as I said before, part of the total
22 content, but this is a move in the direction which will
23 increase the price that the customer pays for an
24 imported car.

25 THE CHAIRMAN: The press, in taking up
26 the news from Ottawa, has made estimates of the increase
27 in the cost of the cars -- what the price policy is
28
29
30



1
2 remains to be seen -- but they suggested that this
3 change in tax will add an amount in the neighbourhood
4 of \$30 to \$50. Is this your impression, or are
5 the amounts going to be considerably higher than
6 this?

7
8 MR. WALKER: I would say that is a fair
9 estimate of the increase in cost from the taxes,
10 but the balance of it depends on what deal is made
11 with the exporter. It depends on how much the
12 importer pays, and this is a matter for negotiation.

13 THE CHAIRMAN: But is this purely a
14 matter for negotiation by the companies, or does
15 Government policy enter into it?

16 MR. WALKER: I do not know.

17 THE CHAIRMAN: You would see no dumping
18 problem involved?

19 MR. WALKER: Yes, I can see the possibility
20 of it. It depends on the interpretation of it.

21 THE CHAIRMAN: In other words, if the
22 English were selling at a 30 per cent discount
23 when the prices in arm's length transactions in
24 England did not show any such discount, they
25 could not continue to sell at these prices without
26 rendering themselves liable to dumping duty?

27 MR. WALKER: I would not think so, no.

28 THE CHAIRMAN: But so far this has not
29 been clarified?
30



1
2 MR. WALKER: It has not been clarified to
3 me, no.

4 THE CHAIRMAN: How big is this margin?
5 How near are you to transferring this operation to
6 Canada? You see, your brief at one point suggests
7 a change of this kind would really swing the deal,
8 but this has not yet --

9 MR. WALKER: It is closer than you might
10 think. I think it is fair to say that the Canadian
11 automobile industry has developed some pretty fine
12 techniques in manufacture. We have a really
13 efficient operation.

14 THE CHAIRMAN: I will ask this question
15 which arises from your brief: Does this provide
16 the proper incentive to manufacture the Vauxhall
17 in Canada?

18 MR. WALKER: It is a move in the right
19 direction. I do not think I am prepared to state
20 publicly when I am going to make the move.

21 THE CHAIRMAN: This is really, I suppose,
22 an unfair question since it refers to a company
23 which you do not operate, but can you tell us what the
24 total sales of Vauxhall, not in Canada but --

25 MR. WALKER: World wide?

26 THE CHAIRMAN: Yes, the sales altogether.

27 MR. WALKER: 220,000 or 230,000 -- in that
28 neighbourhood, world wide sales.
29
30



1
2 THE CHAIRMAN: And your imports are what?

3 MR. WALKER: They will be about 38,000 this
4 year.

5 THE CHAIRMAN: This indicates one of our
6 worries. Suppose you did find that this offered
7 enough incentive to move to Canada as long as the
8 Canadian law specifies "Commonwealth" rather than
9 "Canadian" content, does this suggest that you would
10 then be able and be likely to reduce the Canadian
11 content of your American type cars?

12 MR. WALKER: I have not really thought
13 of it. I suppose it would, but it would make it
14 possible -- I think history proves that you do not
15 take advantage of these things. We are not unaware of
16 the fact that "Canadian content" is good for us.
17 This is a part of our business, and I think the
18 automobile manufacturers are very aware of the
19 importance of it, and this is one of our goals.
20 I do not think it is something we are trying to avoid.
21 It is a definite goal in our business. This is
22 why we are here. We are trying to build a business,
23 and not trying to avoid the building of something
24 here. Does this make it clear? This is our
25 business, and we love it.

26 THE CHAIRMAN: I think, perhaps this is
27 an appropriate time to ask the other question which
28 has occasionally worried some of us; if you have a
29
30



1
2
3 parent company in the United States which has
4 children in Great Britain and in Canada, one wonders
5 whether the American parent might say: "Now,
6 Canada, you import English cars. It is going to
7 be less profitable to you, but it is going to be
8 more profitable to England and it does not matter
9 to us where the profits are made." As an
10 economist, the way I put it is: Whose profit
11 is being maximized? Are you as a Canadian company
12 told to maximize profits, or are you told to
13 behave in such a way so that the world wide operations
14 of G.M. -- that it is the profits of the world
15 wide operations of G.M. which are to be maximized?

16 MR. WALKER: I do not recall ever being
17 told anything that even bears on that subject.
18 We are so decentralized and so competitive within
19 ourselves that the operation of our company here in
20 Canada is the operation here, and this is our
21 responsibility, and it is up to me, as the President
22 of the company, to so guide its affairs that we do
23 well. I am not concerned about the managing
24 director of Vauxhall. He is quite competent to
25 look after himself.

26 THE CHAIRMAN: If you could sell in England
27 you would go in and fight him?

28 MR. WALKER: Yes, sir.

29 THE CHAIRMAN: Would you tell us a little
30



1
2
3 more about these obstacles to export?

4 MR. WALKER: Probably, England is the
5 clearest example. When we sell a Chevrolet or
6 any one of our products into England, and once in
7 a while we --

8 THE CHAIRMAN: Over what tariff?

9 MR. WALKER: Their basic tariff is 30 per
10 cent.

11 THE CHAIRMAN: And they enter here free?

12 MR. WALKER: Yes, that is true. Their
13 basic tariff is 30 per cent, but being in the
14 Commonwealth we get 20 per cent providing we have
15 50 per cent Commonwealth content. The interpretation
16 of this 50 per cent Commonwealth content is another
17 subject, having to do with the proof in each case
18 of the particular car, with affidavits from everyone
19 who supplied any component proving that this is so.
20 The problems entailed in that paper work are
21 difficult, and the man who buys the car is likely to
22 be rather old before you get all this completed.
23 As a matter of fact, very recently we sold 60
24 Chevrolets into England, and they have been assessed
25 at 30 per cent. We know that they are well over
26 the content, but it will take some time to get the
27 other 10 per cent back. I do not think that is
28 really the important thing, although it is very
29 important. The 20 per cent duty in England is assessed
30



1
2
3 on the price of the car landed in England including
4 all the ocean freight and all our costs of production,
5 profit and all handling. It is a compounding
6 of the value for duty by adding to it the costs
7 of transportation to England.

8 THE CHAIRMAN: That is what you have in
9 mind in referring to the discriminatory value of the
10 duty?

11 MR. WALKER: Yes.

12 THE CHAIRMAN: Where do you hit quotas?

13 MR. WALKER: Australia, up until this year.
14 They have just taken it off. They have had
15 quotas into Australia. Of course, Australia has
16 decided to protect its automobile industry, and they
17 have done a very fine job of it. They have built
18 up an industry there. They also have Commonwealth
19 content demands.

20 THE CHAIRMAN: Could I ask just a little
21 bit about Canadian content. What change, particularly,
22 has there been in the Canadian content over the last
23 few years? Is this a changing picture or a
24 relatively static picture?

25 MR. WALKER: I think it is basically a
26 changing picture. You do mean physically, do you
27 not?

28 THE CHAIRMAN: Yes.

29 MR. WALKER: Certainly. When Mr. McLaughlin
30



1
2
3 built his first automobile he was a carriage maker
4 and the thing he built in Canada was the body.
5 He did not have a horse. The thing that he
6 first imported from the United States was the
7 engine, and also the axle. This situation has
8 largely reversed itself over the years and this is
9 one of the aspects of the change today. Most
10 of the large producers of automobiles build their
11 engines here, and the content of the engine is
12 invariably Canadian. The iron ore is mined in
13 our Canadian mines and is cast into engine blocks,
14 and there is a great amount of labour in the finishing.
15 The pistons are poured and cast out of Canadian
16 aluminum. The connecting rods and wrist-pins
17 and the crankshafts are forged of Canadian steel,
18 and the reversal of this situation since the
19 beginning is complete.

20 An engine in Canada is almost 100 per
21 cent Canadian, as are our rear axles. The complete
22 rear axle assembly and drive shafts are Canadian.
23 Your chassis is very Canadian. The wheels
24 are made of Canadian steel by Kelsey Wheel of
25 Windsor.

26 The main parts of an automobile which
27 are not Canadian are the large body stampings,
28 where you have a large piece of steel in the first
29 place and a very expensive means of production to
30



1
2
3 produce it with a relatively small amount of labour --
4 a trip of the press and the piece is produced.
5 It is a means of production which is costly, and
6 I think while the dollar volume of content may
7 not have changed tremendously in the last few years
8 the real labour content has, because finally if
9 you buy a rear quarter panel it may be an expensive
10 piece of the automobile,, and you are helping to
11 write off the cost of the means of production,
12 but there is not much real today's labour in it.
13 So, I think, to answer your question, it is true
14 to say that our real content of real Canadian
15 labour has been increasing faster than any financial
16 figures would show, and in dollar terms.

17
18 -

19
20
21 -

22
23
24 -

25
26
27 -

28
29 -
30



1 THE CHAIRMAN: You hear a good deal about
2 automatic transmissions. This means a lot of
3 business going to the United States, and this, I
4 take it, does involve such volume that there is
5 more activity, however, to make that content up.
6 Is it easy to identify things that are being
7 added because you have to import these components,
8 or is it a net loss?

9 MR. WALKER: No, I don't think it is a
10 net loss. I don't think a week goes by but what we
11 are looking for one more thing to build in Canada.
12 I can't sit here and tell you glibly what the
13 most recent large item was, but we are just
14 constantly looking for them; and it is growth bit
15 by bit and day by day and week by week.

16 To answer your question -- what is your
17 question? It is about automatic transmissions --
18 why we don't build them in Canada?

19 THE CHAIRMAN: Yes.

20 MR. WALKER: This is a thing we look at
21 frequently. It is a little like the fender
22 except that it has more labour in it. It is
23 unfortunate we have not yet been able to build
24 automatic transmissions in Canada.

25 It is, basically, an expensive device to
26 tool. This is probably the most singly important
27 thing about it; and apparently no one has seemed
28 yet to settle down on one particular transmission that
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 We can sell enough volume of to buy the means of
2 production to do it. The tooling is expensive and
3 all of the means of production are basically
4 expensive kinds of equipment, both in the tooling
5 and in the machinery part, and the testing equipment
6 for it.

7 I don't think we need give up on it.
8 I wish I could tell you today that next year, or the
9 day after tomorrow, we will be able to do it; but
10 certainly I am not pessimistic on this; I think some
11 day we will be able to make our own automatic
12 transmissions.

13 THE CHAIRMAN: What would happen if the
14 present exemption for duty were lifted? I believe
15 it is up for renewal again, isn't it?

16 MR. WALKER: Yes. I can guess that all
17 that would happen would be that the price of cars with
18 automatic transmission would go up precisely by
19 that amount of money; and if we are talking about
20 the 25 per cent protection on automatic transmissions
21 I think this is what would happen: Canadians would
22 pay more for cars with automatic transmissions.
23 I don't think there would be enough yet to put us in
24 business. I could be wrong, but I don't think I
25 am. I might be wrong a year from now, or two years
26 from now.

27 THE CHAIRMAN: Is it reasonable to say,
28 then, that in deciding the parts you do manufacture or
29
30



1 buy in Canada and have to import it is a matter of
2 which of the parts are high volume.

3 MR. WALKER: That is right.

4 THE CHAIRMAN: If we had the volume do
5 you see any weakness in Canadian industry, or any
6 difficulty that Canada would run into, in meeting the
7 costs south of the border?

8 MR. WALKER: No.

9 THE CHAIRMAN: Could I, then, explore with
10 you a principle -- this doesn't arise out of the
11 brief, Mr. Walker, but it arises out of a great deal
12 of public discussion; this is the sort of proposal
13 now associated with the name of Mr. Keenleyside,
14 that somehow or other if we could integrate the
15 automotive operations of the continent instead of
16 maintaining a separate national unit, costs would
17 be reduced, prices would fall and, therefore, employ-
18 ment in Canada rise. Have you thought at all
19 about these possibilities?

20 MR. WALKER: Yes.

21 THE CHAIRMAN: Is it a pipe dream?

22 MR. WALKER: I haven't come up with a
23 solution.

24 THE CHAIRMAN: I wonder if you would be
25 prepared to comment on another proposal which has
26 been made to me -- without identifying the source --
27 that we should require a much higher content but,
28 in the process, at the same time, agree that we were
29 not concerned with the content being in the Canadian
30



1 car; it could be in the American cars. In other
2 words, we are not so concerned to have more parts
3 in a Canadian car; we are concerned to make more
4 parts. We are not so much concerned to make one model
5 of Canadian car as to say that we want to make the
6 same contributions in production to the joint
7 production of the United States and Canada that we
8 make to the purchasers of cars. This would mean
9 that we would allow you to import cars free and a
10 wider variety of parts free on condition that your
11 company was buying for use in Canada and the United
12 States an amount equal to your sales?

13 MR. WALKER: Of course, the mathematics of
14 that would be quite simple. If you do it that
15 simply it would just amount to the dollar trade.

16 I don't know -- obviously Mr. Keenleyside
17 has got a desire that it would be nice to enjoy the
18 advantages, in effect, of America's high production
19 and still maintain our other identities, and so on.
20 This gets into a confused area. I could sit here
21 and suggest all sorts of ways of doing it, but I
22 don't know how you would adjust it without having a
23 dictator some place to say: "You have got to trade
24 dollars exactly that way." There is nothing
25 difficult about the mathematics.

26 THE CHAIRMAN: The proposal I am putting to
27 you doesn't require any more of a dictator than the
28 President of General Motors, because this is a company
29
30



1 deal, not a country deal; it is with General Motors,
2 not with the United States. We will admit your
3 cars free on these conditions, and the question then
4 becomes one really of whether, in spite of paying an
5 American duty on imported parts, we could, nevertheless,
6 make it profitable to G.M. Canada and G.M. United
7 States to enter into such a deal.

8 Do you think it is worth exploring?

9 MR. WALKER: Yes.

10 THE CHAIRMAN: I think, perhaps, the only
11 thing I should say is that I propose to explore it
12 with you and perhaps you will help me to explore it
13 with your parent company.

14 MR. WALKER: I would be very happy to.

15 THE CHAIRMAN: The other way of getting volume
16 is reduction in models. Is it a fair criticism
17 of the industry that costs are high because in a
18 country of small population your company is
19 producing too many models?

20 MR. WALKER: Yes, I guess it is fair.

21 THE CHAIRMAN: But you wouldn't be doing it
22 if you thought it was unprofitable?

23 MR. WALKER: Well, the customers are boss,
24 and we think we are producing what the customer wants.
25 If we are not then we are not doing our job very well.
26 Our customers don't tell us we have too many models.
27 Our customers often want something we don't have and
28 would like us to have more.
29
30



1 I don't know how far you back away from this
2 problem before you assess it. The man in the little
3 booth in the dealer's place of business is finding it
4 difficult to find the precise colour and the precise
5 model and the right things that this particular customer
6 of his wants. So that you have things pulling in
7 opposite directions; and the balance between how
8 many models it would be actually economical to build
9 and what we do have to keep the customer happy is the
10 balance of the expertness of whether we are doing a
11 good job in our business or not.

12 THE CHAIRMAN: You think your problem is the
13 customer's demand for variety rather than the
14 company's provision of them?

15 MR. WALKER: I think I know precisely what
16 you are saying; and if I could dream up some way
17 that I could make them all the same I don't think I
18 would sell as many and I don't think we would employ
19 as many people. I think that the Canadian customer
20 is no different from the American customer. He likes
21 nice things and he likes comfortable things and he
22 likes good looking things. I am sure that Mr. Sale
23 would be happy if I announced tomorrow that I was
24 going to make only one kind competitively.

25 THE CHAIRMAN: What about one other matter
26 you referred to -- research and design? I was
27 going to ask you about that in any case, but, perhaps,
28 I am reminded of it and encouraged by the article in the
29
30



1 Globe and Mail this morning, indicating that Canada
2 as a whole was failing to devote the percentage of
3 gross national product to research that NATO
4 considered was a proper amount; and may I add that
5 that same article says that part of the trouble is
6 that the big companies who could afford research are
7 dependent on subsidiaries of American companies
8 and the research is not done there.

9 Could you comment on that and give us some
10 idea of what your company does in Canada?

11 MR. WALKER: I think, first of all, that the
12 thing is relevant, of course. I think we do a lot
13 more research in Canada than the public realize --
14 research into precise methods and into materials
15 and prices. There is a tremendous amount of this
16 goes on, but I think I quite capture what you are
17 saying, that we do not have in Canada in General
18 Motors a tremendous technical centre of the
19 same proportions as they have at Detroit where they
20 do more basic research than we do.

21 THE CHAIRMAN: Mr. Walker, it would be
22 unreasonable to suggest that a company in Canada --
23 small Canada -- would do that on the scale that a
24 company in large United States can, but some of us
25 are worried about the loss of our scientists and
26 engineers, and I wonder whether some of that research
27 couldn't be farmed out -- that 10 per cent, 20 per
28 cent of the research that is done at the General
29 Motors headquarters couldn't be farmed out to those
30



1 subsidiaries, because I suspect that physicists and
2 engineers are cheaper here than in the United States,
3 and they are just as good?

4 MR. WALKER: I think it is a happy thought.
5 I can't promise that I will build a technical centre
6 tomorrow morning at nine o'clock, but I think it is
7 a good thought. I think, on the other hand, that
8 we do more than we are ...

9 THE CHAIRMAN: Credited with?

10 MR. WALKER: Perhaps that is one way of
11 saying it; but I think I capture what you are saying,
12 and I think it is a nice suggestion.

13 THE CHAIRMAN: At an earlier stage you
14 talked about incentives to manufacture Vauxhalls
15 in Canada -- and I am a little inclined to expand
16 that to cover all models, not only to manufacture
17 Vauxhalls -- but does some of General Motors'
18 basic research -- perhaps it is unfair to ask you this
19 because you haven't thought about it -- but have you,
20 by any chance, a suggestion as to what kind of
21 incentive would be useful from that point of view?

22 MR. WALKER: I would have to look at it.

23 THE CHAIRMAN: I wish you would think about
24 it.

25 What about this possibility: I would imagine
26 that your General Motors research centre in the
27 United States does a great deal of contract research
28 for the government as well as your own direct
29 research?
30



1 MR. WALKER: I don't honestly know. I would
2 imagine that Dr. Hafstad does some there, although I
3 honestly don't know. Any research I have seen has
4 been pretty specifically on our own product when
5 I have been in to look at it.

6 I could find that out for you and let you
7 know.

8 THE CHAIRMAN: Would you be interested in
9 undertaking that research at Ottawa?

10 MR. WALKER: Yes.

11 THE CHAIRMAN: Just one last question. I
12 think, in fact, you have answered it, but I would
13 like to get something a little more specific about
14 it. That is the excise tax. Part of the problem
15 of the excise tax has been this differential
16 incidence on imports and on domestically produced
17 cars, and this change in value, I take it,
18 eliminates that part of the problem?

19 MR. WALKER: Yes.

20 THE CHAIRMAN: But it is your view that the
21 existence of this excise tax...

22 MR. WALKER: It doesn't eliminate that part
23 of it.

24 THE CHAIRMAN: Not quite; I remember.

25 MR. WALKER: It just takes a little clip
26 out of it.

27 THE CHAIRMAN: It leaves it that it is paid
28 on a different basis?



1 MR. WALKER: Yes.

2 THE CHAIRMAN: Then, even if the
3 differential was eliminated you would argue that
4 it should be totally eliminated in the interests of
5 employment?

6 MR. WALKER: There is no question about it,
7 because, finally, I think we are all inclined to
8 reach for what we are going to buy and any excise tax
9 on an automobile is one more dollar of excise that
10 has to be reached for -- is one more dollar of
11 excise that the man may not reach for.

12 As we say, I believe, in our brief, the
13 cheapest Canadian-built car has just about \$150
14 worth of excise tax, and this is just an extra
15 barrier to selling your product. You finally
16 get the salesman in the little room missing the
17 order if this Canadian-built car has to collect
18 \$150 more on the market price of the car; and it
19 is much more on the higher-priced car than it is on
20 the lower-priced.

21 We hear talk about this 28 per cent --
22 28. something per cent -- of imports. I think it
23 is worthwhile to state that last year there were
24 more than 71 people in Canada who walked into our
25 dealers' showrooms -- and Mr. Sales' and Mr. Todgham's --
26 and bought Canadian-produced cars rather than the
27 other way around, and a great number of them
28 bought expensive Canadian cars -- the deluxe models
29
30



1 with automatic transmissions and all these things --
2 because when you are talking in terms for a few
3 minutes about this very, very low-priced European car
4 and then start talking about the luxury of automatic
5 transmissions, this is all part of the business, and
6 it is an important part of the business, and it is
7 an important producer of wages and employment.

8 The man who buys the most expensive Chevrolet
9 that is built purchases an expensive car when it is
10 an Impala or a convertible and has got automatic
11 transmission and all these things; and this provides
12 a great deal of Canadian employment; and this
13 automobile provides more of it than the cheap car;
14 and on the luxury side this excise tax then becomes
15 \$200 and some odd, and there is that many less people
16 who reach for it.

17 I could take my shoe off and ...!

18 THE CHAIRMAN: Like Mr. Khrushchev?

19 MR. WALKER: Yes. This is important. I
20 think it is more than important -- I think it is
21 vital. I think it is unfair. After all, the
22 Canadian who buys an automobile pays the sales tax.
23 I don't think he should pay another fine on top of
24 that.

25 -

26 -



1
2 THE CHAIRMAN: Mr. Sale, I should like to
3 say, as I personally have to people in general,
4 to thank you for the co-operation so far you and
5 your company have given. It is pleasant for me as
6 a Commissioner, and very useful.

7 MR. SALE: Thank you very much, sir.

8
9 Mr. Commissioner, I am very happy to be
10 here today representing Ford Motor Company of
11 Canada. As I indicated in my letter to you which
12 accompanied the filing of our Company's brief, it
13 is our intention to help in every way possible in
14 the conduct of your inquiry. I have not developed
15 a prepared presentation today simply because I did
16 not believe it proper to interpret the areas in
17 which we might be most useful to your Commission.
18 Instead, I shall be glad to address myself to any
19 subjects, contained in our brief or otherwise, that
20 you care to suggest as being most useful.

21 As a starter, perhaps it would be useful
22 if I just mentioned briefly several of what we believe
23 are some of the more important points covered in
24 our official brief.

25 First, the basic position of Ford of Canada
26 with respect to the object of your Commission's inquiry
27 is, to a great extent, determined by our fundamental
28 corporate philosophy. Ford of Canada, like all
29 other businesses, is a profit-making institution.
30



1
2 We have been in this business more than 55 years and
3 we have earned profits during most of this period.
4 We intend to stay in this business in Canada in the
5 future and we hope to be more prosperous in the
6 future than we have in the past.

7
8 In the process of expanding our position
9 as a profit-making Canadian institution, we expect
10 to make an important contribution to Canada and
11 to every aspect of its economy. In the first
12 place, we expect to earn our keep by producing and
13 selling useful products. We expect to do this
14 primarily by our own efforts and by the merits of
15 our products in a Government climate conducive to
16 the growth of free enterprise. We do not look
17 for increased Governmental control or increased
18 Governmental intervention to enable us to solve our
19 problems.

20 In the process of creating the products
21 that we intend to sell, we create a great many
22 jobs for Canadians in our plants and offices and the
23 plants and offices of our Canadian suppliers. High
24 employment is a by-product of high sales. To the
25 extent we are able to sell more of our products,
26 we will create more jobs for Canadians.

27 If we are successful, we also will make a
28 substantial monetary contribution to the Canadian
29 economy, not just in wages and salaries, but in
30



1
2 payments to our suppliers, in dividends to shareholders
3 paid out of our profits, in the re-investment of our
4 earnings in new facilities to expand our output,
5 and finally, in the additional taxes that will be
6 paid by Ford of Canada and everyone associated with
7 it out of the added wealth that we hope to create.

8 We have pointed out in our brief that it
9 is a basic goal of the company to operate its
10 facilities at full capacity in the most efficient
11 manner possible. This is an economic fact of life
12 in the automobile business. The cost of facilities
13 represents a very large proportion of our cost of
14 doing business. Obviously, our continued ability
15 to operate at high levels of output, in the most
16 efficient manner possible, will permit us to
17 reduce the costs of our products and to share these
18 cost savings with the Canadian car buyer in the form of
19 lower prices and increased value.

20 Turning now to the problems of the
21 Canadian automobile industry that led to the
22 formation of this Commission, we indicated in our
23 brief that one of the dominant factors that has contri-
24 buted to the success of imported European cars in
25 the Canadian auto market was price. We also in-
26 dicated that the price advantage enjoyed by European
27 cars as compared with Canadian-produced cars arose
28 in part because of inequities in the administration
29
30



1
2 of Canadian tariff and tax laws. Although the
3 action taken last week by National Revenue in
4 adjusting the basis of duty and tax valuation of
5 imported units represents a step toward the removal
6 of these inequities it does not represent a
7 complete solution to the problem at hand.

8
9 Apart from the subject of tax and duty
10 valuation, there are a number of actions that
11 could be taken that would tend to strengthen the
12 auto industry in Canada and all those associated
13 with it. We have discussed in our brief certain
14 of these actions that have received considerable
15 public visibility. Many of these proposals, if
16 adopted, would have effects in many areas of the
17 Canadian economy other than just the auto industry.
18 As a general policy, Ford of Canada is not
19 interested in blindly supporting any course of
20 action that simply benefits the auto industry
21 at the expense of some other group of Canadians.

22 Some of the proposals, including the
23 development of some form of "Common Market" with
24 the United States, would appear to have theoretical
25 benefits to the Canadian auto industry and the
26 Canadian car buyer. This particular proposal,,
27 however, would have far-reaching effects throughout
28 the economy. Although we have studied these
29 proposals and suggested that they be explored
30



1
2
3 seriously, we certainly are in no position at this
4 time to advocate the adoption of any such plan.

5 One suggestion that has received almost
6 universal support for some years is the abolition
7 of the present 7-1/2 per cent excise tax applied
8 to passenger cars. Except for the fact that the
9 tax is easy to collect, we can think of no good
10 that comes from it. The implication that a motor
11 car is a luxury is wrong and we do not enjoy being
12 the subject of punitive taxation.

13 Regardless of what course of action is
14 recommended by the Commission, we hope that everyone
15 with an interest in the Canadian auto industry
16 appreciates that the prime responsibility for
17 strengthening the auto industry in Canada lies
18 with the industry itself. Ford of Canada has not
19 grown to its present size and position in the
20 Canadian economy by looking to others to solve its
21 problems. We have no intention of abandoning this
22 position in the future.

23 That, sir, concludes my brief remarks in
24 introduction. I will attempt to answer any questions
25 you might have.

26 THE CHAIRMAN: Thank you very much, Mr.
27 Sale. I really want to ask more or less the same
28 questions that I asked Mr. Walker, because I think
29 these are the important avenues that have to be
30



1
2 explored. / So first I would like to ask you a little
3 more about the imports, your own imports of English
4 Ford cars.

5 Have you made any estimates as yet of what
6 difference the change in rulings makes to your company
7 in Canada?

8 MR. SALE: No, we have not, sir. We are
9 not in a position to make any estimates.

10 THE CHAIRMAN: However, does it seem to you
11 likely that the figures so far used by the press are
12 in any way valid?

13 MR. SALE: Well, they are certainly part of
14 the story. Dump duty may come into it. But as yet
15 we know nothing of the pricing policies of our
16 suppliers overseas and, as a matter of fact, I don't
17 think they are in a position yet to have even
18 considered it to any great extent.

19 THE CHAIRMAN: But they would have to
20 consider their pricing policy not merely with reference
21 to Canadian supply. They can only continue to sell
22 to you at 30 per cent discount if they were making
23 similar terms available to others.

24 MR. SALE: That is correct.

25 THE CHAIRMAN: Have you any idea what
26 proportion of their total sales the Canadian sales
27 constitute?

28 MR. SALE: No, I do not, sir, off hand.
29
30



1
2 I will get it for you, though.

3 THE CHAIRMAN: We wonder, for instance,
4 you see, whether the volume of Canadian sales is
5 such that in order to maintain those sales it might
6 influence the English company to offer their cars at
7 greater discounts in other countries.
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



1
2
3 MR. SALE: And I would think off hand that
4 the proportion is so small that it would not.

5 THE CHAIRMAN: In which case they cannot
6 sell to you at discounts lower than those allowed
7 in Britain?

8 MR. SALE: No, I would think not.

9 THE CHAIRMAN: So that the rise in the
10 cost to you, without your knowing how much it is
11 going to be, must be more than the amount of
12 the change in the sales and excise tax, which is
13 likely to be 30 per cent?

14 MR. SALE: I would think that is so, but
15 we still do not know enough about it in order to
16 be able to determine that.

17 THE CHAIRMAN: I shall be watching the
18 advertisements in Toronto with great interest to
19 see what prices ultimately are quoted for these
20 cars.

21 MR. SALE: Let me say this, sir, that there
22 are stocks in the country both in the hands of
23 dealers and in the hands of the companies, as in
24 our case, and it will be some months before the
25 price situation will be disclosed.

26 THE CHAIRMAN: It will be very disturbing
27 if I have to hold up my report until these ad-
28 vertisements appear. Could I ask you, as I did
29 Mr. Walker, what is the margin between the price
30 at which you decide to assemble in Canada and the
order of the possible changes in price? Is one
of your decisions -- are you now going to be faced



1
2 with calculations as to whether you have to reverse
3 this policy?

4 MR. SALE: That is something we will be
5 examining as soon as this picture is clarified, but
6 you have to keep in mind that they are building
7 over there at less than half our wage cost, and
8 that the assembly saving which they make will be,
9 therefore, relatively not great when you consider
10 it in terms of our assembly costs here in
11 Canada at our much greater wage rates. That
12 has a very important bearing on this, but it
13 is something that will be examined, naturally,
14 as soon as we are clear as to just what this
valuation means.

15 THE CHAIRMAN: You heard me ask Mr.
16 Walker about whose profit is maximized. Is the
17 decision to buy or manufacture in Canada based
18 on the calculation of the profits of the Canadian
19 firm or the calculation of profits to the world-
wide organization?

20 MR. SALE: It is based on our own
21 picture entirely. We determine what products
22 we are going to sell, and we determine everything
23 about them. In other words, we are driving for
24 the highest possible profits we can make on our
own, if you want to put it that way.

25 THE CHAIRMAN: I was not quite sure
26 that I understood your phrase, and perhaps you
27 would clarify it again. You referred to the
28 remaining inequities, in talking about sales and
29
30



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

excise tax. Do I take it that here you are agreeing with Mr. Walker that even this change in the ruling leaves the tax base favourable to the English as compared to the domestic manufacturer?

MR. SALE: I agree with Mr. Walker.

THE CHAIRMAN: I did not ask you, and perhaps I can try it on you; you have not any rough figure of the percentage disadvantage, have you?

MR. SALE: No, I have not, sir.

THE CHAIRMAN: You have talked of the wage differential of the English. It is my understanding that this has been narrowed, or is that not true?

MR. SALE: It may be. I do not think I am in a position to answer that.

THE CHAIRMAN: Could we then turn to the other side -- to export. You used to export?

MR. SALE: We still do.

THE CHAIRMAN: But not as much.

MR. SALE: No.

THE CHAIRMAN: Could you talk at all about the obstacles to export, or the reasons for this decline, or have you run into the same sort of difficulties with empire content or Commonwealth content with respect to remaining in England?

MR. SALE: No, although our market in England is not an important one for us. We do ship there, but our major markets are Australia, New Zealand, South Africa, the East and West coasts



1
2 of Africa, Pakistan, Burma and places like that.
3 Our important one is, of course, Australia, and the
4 main problem in exporting to Australia is the high
5 cost of our product, in the first place. The Ford
6 car in Australia sells for \$5,000 -- that is, the
7 Canadian Ford car. They determined long ago --
8 longer than 35 years ago -- to gradually bring
9 about their own secondary industries, and particularly
10 their own automobile industry. Thirty-five
11 years ago you paid a duty on the car of an
12 additional 75 pounds on the body, and that brought
13 about body building. They were doing that
14 successfully as far back as 1924. Their whole
15 approach has been along that line. In other words,
16 it has been towards the development of their
17 own secondary industry, and these restrictions
18 that have come about have been created with the
19 desire to establish their own industry, just as
20 we did in Canada many years ago. Those countries
21 out there are going through identically the same
22 evolution in development as did Ford of Canada
23 which, in its early stages, simply brought components
24 with a team of horses and a wagon across to Windsor.
25 The components were assembled at Windsor, and
26 the total equipment in the plant in those days
27 was one drill press. Out of that has developed
28 the manufacture of component by component in
29 Canada, and Australia is following the same
30 pattern.

New Zealand is beginning to move in that



1
2 direction to some extent. They want to have some
3 locally made components there. South Africa
4 is a little more advanced than that.

5 I do not feel it is a question that
6 you can avoid, or negotiate yourself around. I
7 think those countries are just as keen about developing
8 secondary industries as we were in the early days
9 when we started, and that is the real root of
10 the restrictions. Some other countries such as
11 Rhodesia, for instance, where we are shortly
12 going in with an assembly plant, are just starting
13 into this process.

14 THE CHAIRMAN: Of course, if the Australians
15 are prepared to pay \$5,000 for a Ford it suggests
16 that they are even more anxious to develop a
17 secondary industry than we will ever be.

18 MR. SALE: That is right.

19 THE CHAIRMAN: What about the South
20 American market? Is there any opportunity for
21 export there?

22 MR. SALE: There is the opportunity,
23 although we have never exported there because of
24 the general development of the business from
25 the origin of the company. We started in exporting
26 from Canada -- as a matter of fact, our first car
27 went to Calcutta in 1905. Because of Commonwealth
28 preference and other factors we gradually es-
29 tablished dealers here and there around the Common-
30 wealth. They eventually became astute, and later



1
2 on in a desire to more deeply cultivate the market
3 we started the assembly there. The result is that
4 we have been able to build up our organization in
5 that particular field so we have never been in the
6 South American market, and because of lower costs
7 automobiles have been shipped there by the
8 parent company.

9 THE CHAIRMAN: Could I pass then to
10 the Canadian content and to the indication of the
11 change in Canadian content, particularly over the
12 last 10 years? What is happening to the Canadian
13 industry? Is it becoming -- I think, perhaps,
14 one of my worries and one of my questions is as to
15 what extent is the skilled part of our operation
16 either increasing or decreasing?

17 MR. SALE: I do not understand what you
18 mean by "the skilled part", sir.

19 THE CHAIRMAN: This is, perhaps, a
20 bias, but I am concerned not only to keep engineers
21 and physicists in Canada but also to keep and
22 develop the skilled workmen. I think, perhaps,
23 at the back of my mind here is a defence concern
24 that the availability of skilled workers, scientists
25 and engineers is, in my mind, our best defence.
26 Now, if in the changing pattern of Canadian content
27 there is any trend towards losing some of the
28 less skilled or losing some of the more skilled
29 parts of the process I think I would be interested
30 in trying to identify this trend.

MR. SALE: I think as our automation



1
2 proceeds, and at the moment it is relatively
3 small in Canada because of our very low volume,
4 there is a trend towards a proportionately greater
5 number of skilled people in the plant. We
6 employ a great many engineers doing research
7 on various phases of our operation. We do not
8 employ physicists because we do not have any
9 real purpose for utilizing them.

10 THE CHAIRMAN: Can you say anything
11 about -- I suppose this is unfair since you are
12 not an engine builder like Mr. Walker, but can I
13 put it to you in the same way as I did to him;
14 you would lose a great deal of content because
15 you have given up the manual transmission and
16 are importing automatic transmissions. This
17 worries me because it involves work that is very
18 highly skilled and which has to be made up.
19 What kind of parts that did not come in are now
20 put in because you have to make up your automatic
21 transmissions.

22 MR. SALE: I am afraid that is impossible
23 for me to identify, not being a mechanical man,
24 but there is a constant search, as Mr. Walker said,
25 for parts that can be manufactured in Canada.
26 The content creates that. Our content is held
27 fairly steady, and fairly well above the require-
28 ments, and it varies in all sorts of parts.

29 THE CHAIRMAN: All these problems come
30 down ultimately to volume?



1
2 MR. SALE: Yes.

3 THE CHAIRMAN: And, indeed, you stress
4 these disadvantages. Can you give any indication
5 of what increase in volume is necessary to over-
6 come these disadvantages?

7 MR. SALE: Do you mean for the industry
8 as a whole?

9 THE CHAIRMAN: It probably means for
10 your own firm because in so far as you -- unless
11 the industry goes to the different form of or-
12 ganization of depending on suppliers the five
13 automobile producers will put in one transmission
14 made by one company, and you get the volume,
15 so it is both ways, really.

16 MR. SALE: Give us a million cars and
17 we will be smiling day and night.

18 THE CHAIRMAN: This is for Ford?

19 MR. SALE: No, that is for the industry.

20 THE CHAIRMAN: Double the output, and
21 you would be smiling?

22 MR. SALE: Our picture would be radically
23 different if we got somewhere around the 200,000-car
24 mark. In fact, it would change many things.

25 THE CHAIRMAN: That is, for the firm?

26 MR. SALE: Yes.
27
28
29
30



1
2 THE CHAIRMAN: You talk about the disadvantage
3 or the burden from tariff on cars. This means that
4 in spite of the arrangement by which you can bring in
5 parts free as long as you maintain the Canadian
6 content, there are a number of parts still made in
7 Canada and they are taxable?

8 MR. SALE: Yes, but it is not such a large
9 group. There are components that are dutiable and
10 not procurable in Canada, and we felt that it was
11 of assistance to the industry to the extent of
12 \$25 or \$30 to permit these components in duty free
13 and at the same time protecting the contact.

14 In general, there are some engine components;
15 some starter motors, some transmission components,
16 some front suspension components, some brakes and
17 shock absorbers and drive shafts, these are all in
18 that category which we mentioned, and we felt that
19 that was worthy of study as it would be of some
20 further assistance in this particular problem which
21 we are trying to face up to.

22 THE CHAIRMAN: You in your brief distin-
23 guish between the two classes of assistance; one
24 which is raising the price and the other lowering
25 the costs?

26 MR. SALE: That is right.

27 THE CHAIRMAN: And on the lowering of the
28 costs, clearly we have to consider this continental
29
30



1
2 integration again?

3 MR. SALE: Yes.

4 THE CHAIRMAN: One of the possibilities,
5 of course, is simply to say, "Let us negotiate
6 free trade between Canada and the United States"?

7 MR. SALE: Yes.

8 THE CHAIRMAN: Do you think that any of
9 the industry would be located north of the border
10 if we had free trade?

11 MR. SALE: I don't think I could answer that
12 without a great deal more study than I have given it.
13 There are all sorts of opinions as to what would
14 happen, and we have studied this question and have
15 a program to study it a great deal further. I
16 think that it is hazardous to express an opinion
17 on it at this time. I think it might be quite
18 misleading. Frankly, we don't know enough about
19 it to give you an opinion in the meantime.

20 THE CHAIRMAN: Frankly, it would worry
21 me.

22 MR. SALE: Well, I know that it is worrying
23 a lot of people.

24 THE CHAIRMAN: But, have you thought
25 at all about this other proposal which we had that
26 without any action by the United States at all on
27 any change in their tariffs, that the Canadian Govern-
28 ment would agree to treat the production of the Ford
29
30



1
2 Motor Company, or any of the other motor companies,
3 as a unit?

4 MR. SALE: No, we haven't as yet, but that
5 is one which we will be getting into.

6 THE CHAIRMAN: Do you see any hopefulness
7 or is your first inclination to accept this as
8 one of the --

9 MR. SALE: No, I don't know enough about
10 it to give you an answer one way or the other.

11 THE CHAIRMAN: I know that you will agree
12 to explore it, but what worries me a little is the
13 time. Do you think it will be possible to get some
14 indication of whether this is a reasonable line
15 to take ahead of getting a detailed study of
16 precisely what one would buy, and so on?

17 MR. SALE: Right.

18 THE CHAIRMAN: It seems to me likely
19 that the ultimate effects of it would take a long
20 study and I don't know whether some quick estim-
21 ation of this possibility can be made.

22 MR. SALE: I would go this far; I would
23 hope that within a matter of three or four weeks
24 that we could sort out the principles of it and
25 perhaps get a close enough view of it to be able
26 to give you something on it.

27 THE CHAIRMAN: That is what I was hoping
28 for.
29
30



1
2 MR. SALE: I can't guarantee it because I
3 don't know what we are plowing into.

4 THE CHAIRMAN: That is what I had hoped.
5 I don't think it is my job to lay down a detailed
6 plan.

7 MR. SALE: No.

8 THE CHAIRMAN: But there is no use in
9 presenting a plan that hasn't got a chance.

10 MR. SALE: No.

11 THE CHAIRMAN: What about the other line of
12 inquiry about models. I would like to vary my
13 question to you a little, because my question should
14 not be put in terms of, "Would it be good business for you
15 to reduce the number of models, while Mr. Walker
16 increases his?" but rather to ask you simply about
17 costs.

18 MR. SALE: Yes.

19 THE CHAIRMAN: How much cost reduction
20 would be possible if you were to substantially
21 reduce the number of models which are going through
22 your Canadian plant?

23 MR. SALE: That will vary according to
24 the particular models. About four years ago we
25 were producing about 66 models and we are now down
26 to about, I think it is, 38 models.

27 Now, that is the simplification of the
28 line. It is difficult to answer offhand just what
29
30



1
2 that saving would be; it takes quite a calculation.
3 Now, our philosophy on models is this; that we will
4 not put any model in the line unless it makes
5 economic sense, we will not keep any model in the
6 line if it does not make economic sense, and we
7 have taken out models from time to time over the years
8 as you can see. We have taken out actual series of
9 cars; series of cars have been built in the United
10 States which we didn't take out at all. We have in
11 other cases postponed bringing in a new car until
12 such time as we had a look at how the models worked.
13 Our model set-up, naturally, has to be according
14 to what the market is and what people want. There
15 are very high cost convertibles that we have always
16 imported. There is a saving there, there is no
17 question about that, but the question is whether or
18 not in making the saving it results in a loss of
19 profit.

20 THE CHAIRMAN: I accept that, but I am
21 still interested in the degree of saving. Perhaps
22 I could ask you further with reference to the number
23 of models. It sounds such a lot when you say it,
24 but is it possible simply to indicate what basic
25 models there are involved in the 38; I suppose it
26 is not as big a variety as it sounds?

27 MR. SALE: No, that is true, because not
28 only is it not so great, but there are a lot of
29
30



1
2 components that are the same is in these models,
3 and that helps your overall volume. You have the
4 two-door and the four-door and the hardtop and the
5 four-door convertible, and then you get pretty
6 well down to the basic lines. Then, you get
7 variations of those which are called models, but
8 often times the variation is on the surface.

9 THE CHAIRMAN: Could I then follow up
10 with the question again that I asked Mr. Walker
11 about research; you made some reference to research
12 in your statement, and could you tell us a little
13 more about that work? I take it the research done
14 at present is research with reference to the process
15 of manufacturing?

16 MR. SALE: That is right. Basic research,
17 as you can appreciate, is a highly costly process,
18 and we have research on other phases of the
19 matter and it is also an extremely costly operation.
20 Some portion of it might be done by the company,
21 but the cost is fantastic.

22 THE CHAIRMAN: The cost is fantastic, but
23 this is one of the things, I think, which we in Canada
24 can build as well and cheaper than they can do
25 across the line. Have you made any efforts to
26 persuade your parent company to put some of this
27 research --

28 MR. SALE: No. It is not only the cost
29
30



1
2 of people, but there is a tremendous cost in
3 facilities.

4 THE CHAIRMAN: I take it, however, that
5 they are constantly adding to the facilities?

6 MR. SALE: Yes.

7 THE CHAIRMAN: I suggest they should be
8 asked to put some of these in a place where it can be
9 built cheaper in Oakville rather than in a place
10 where it costs more, as in Detroit.

11 MR. SALE: That is a subject that certainly
12 can be explored. We haven't done it, but to see
13 what is involved, it staggers me.

14 THE CHAIRMAN: It is because it is so
15 staggering that it offers such a happy field for
16 employment of Canadians and creates an opportunity for
17 others in the service, as well as the Canadian
18 citizen. Now, would you be good enough to think a
19 little about the question that I asked Mr. Walker,
20 too, and this has to do with seeing the trade and
21 persuading your company that the goodwill and the
22 good research results that may come from placing
23 this in Canada might be very worth while, but even
24 if there are no incentives that we could offer
25 other than the goodwill and the good cheaper
26 research, is there anything the Government could do
27 to provide incentives? I would like you to think
28 about that.
29
30



1
2
3 MR. SALE: We will think about it and get
4 that developed.

5 THE CHAIRMAN: Finally, the sales tax. You,
6 I take it, agree with that, quite apart from the
7 differential impact?

8 MR. SALE: You mean the excise tax?

9 THE CHAIRMAN: Yes.

10 MR. SALE: The sales tax, I suppose, is a
11 little harder to attack.

12 THE CHAIRMAN: That is, generally?

13 MR. SALE: Yes.

14 THE CHAIRMAN: As to the excise tax, your
15 view would be an abolition of this tax that is
16 quite apart from its differential in tax would be
17 of great assistance to the industry?

18 MR. SALE: Definitely, definitely; it would
19 help the employment situation a great deal by
20 getting it down to a proper basis of sales, the thing
21 we need most.

22 THE CHAIRMAN: The argument that is in
23 most of the briefs is that this has to be put on
24 as a luxury tax and that the automobile is not a
25 luxury. I have to be a little annoying now and
26 ask whether the automobile industry or the automobile
27 user doesn't impose such high costs on the community --
28 the provision of roads, the provision of parking
29 space and an annoyance to all pedestrians like myself,
30



1
2 and so on -- that as a matter of fact this is not a
3 luxury tax, it is asking the automotive user to take
4 some of the costs of usage that he doesn't otherwise
5 have to meet?

6 MR. SALE: That is true.

7 THE CHAIRMAN: Is this true?

8 MR. SALE: But all these things, though,
9 are done by municipal Governments, not the federal
10 Government; all these things you name.

11 THE CHAIRMAN: But the municipal Govern-
12 ments and the provinces are finding it hard to get
13 the federal Government to give up enough revenue
14 to them, so that their revenue --

15 MR. SALE: Sure.

16 THE CHAIRMAN: What about the other taxes?
17 paid by automobile users? Do you think that they
18 are sufficiently heavy to meet these other costs?

19 MR. SALE: I think that can be pretty
20 clearly demonstrated by the gasoline tax and the
21 licenses. The automobile supplies a very high proportion
22 of the revenue, and particularly the provinces, and
23 they certainly do not hesitate to adjust them to
24 keep up with the highway program that they have.

25 THE CHAIRMAN: You are speaking of the
26 gasoline tax?

27 MR. SALE: Plus licenses; those two in
28 particular.
29
30



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

THE CHAIRMAN: You think that there is enough of a burden on the automobile user to make me as a pedestrian -- they are prepared to give up the excise?

MR. SALE: It is through an additional amount of reduction in the tax table; it may not be as great as it appears on the surface.

THE CHAIRMAN: If we did abolish the excise tax, what sort of expectation might you have as to the effect on the pricing of cars? Is this something that would simply mean either an increase in your profits or an increase in the next round of wages, or a decrease in the price of cars?

MR. SALE: No, the exact amount of the tax would come off the price immediately. It did in 1952, and went from 15 to 10 per cent, and it did in 1955 when they brought it down to 7-1/2 per cent and that would, certainly so far as we are concerned, follow right on the day it took place.

THE CHAIRMAN: Well, Mr. Sale, I think that is all that I would want to ask you. Thank you very much. I will just consult with my technical staff to see if we should go straight on or adjourn at this time.

MR. SALE: Thank you very much, sir.



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

THE CHAIRMAN: I think, perhaps, we will
adjourn until 2 o'clock, at which time Mr. Todghan
will present his case for the Chrysler Corporation.

---Luncheon adjournment.



1 Upon resuming at 2 p.m.

2 THE CHAIRMAN: Mr. Todgham of Chrysler?

3 SUBMISSION OF THE CHRYSLER

4 CORPORATION OF CANADA, LIMITED

5 PRESENT: Mr. R.W. Todgham, President.

6 MR. TODGHAM: Mr. Commissioner, Miss Leitch ,
7 ladies and gentlemen, it is my pleasure to appear
8 before you today as the official spokesman of
9 Chrysler Corporation of Canada, Limited.

10 In keeping with your wish expressed several
11 weeks ago I do not propose to read here our public
12 brief.

13 Rather, I intend only briefly to touch on
14 several of the salient points which form the
15 substance of that brief.

16 Naturally, the views which I shall express
17 are those of my own company.

18 It is essential that I make clear that
19 none of these opinions are necessarily shared by my
20 competitors in the Canadian automotive industry.

21 Like our major competitors, my company
22 manufactures and markets exactly the same automobiles
23 and trucks as our parent corporation, and in that
24 connection I think it important to establish the
25 fact that, in my opinion, there is no autonomous
26 Canadian automotive industry. It is many years
27 since the last truly independent automobile companies
28 disappeared from the Canadian industrial scene.
29
30



1 Now, these courageous enterprises could
2 not compete -- either as producers or marketers --
3 with the vastly more powerful American companies,
4 which either exported into Canada or bought or built
5 Canadian subsidiaries; and I must take issue with the
6 argument that purely Canadian interests should, and
7 could, successfully design, manufacture and market
8 their own distinctive products in this relatively
9 small market at this point in Canada's economic
10 development.

11 It is my firm belief that no such enter-
12 prise could presently compete with the solidly
13 entrenched subsidiaries of United States corporations,
14 from which those subsidiaries derive such immense
15 benefits -- technical, administrative and financial.

16 In my opinion it is necessary for the
17 public to understand the inability of Canadian
18 subsidiaries to deviate, in any significant degree,
19 from the car styling and engineering trends decided
20 upon across the border; and the more knowledgeable
21 of our critics admit that the cost of tooling up
22 and producing a distinctive Canadian automobile
23 in the Dominion would be prohibitive, bearing in
24 mind the volume potentials that exist in the Canadian
25 market.

26 I make this point at the outset of my remarks
27 because so many well-meaning Canadians have
28 recently been clamouring for what they describe as
29
30



"a distinctly Canadian automobile."

Now, our unavoidable dependence on United States styling decisions is the vital factor, along with an American-dominated price structure, which has contributed somewhat to the present critical threat posed by the British and foreign imports.

It is obvious, as British and foreign vehicles increase their share of the Canadian market, that the Canadian manufacturers cannot look for any relaxation of U.S. leadership in the vital areas of styling, pricing and labour costs.

The salvation of the Canadian automotive industry, if it is to be found, lies elsewhere. It lies in the hope that the Government of Canada will decide to conform to a pattern of fostering the growth and development of Canada's existing automotive industry -- a pattern now almost universal among the countries of the world where manufacturing is a major factor in the national economy.

I have dealt with the fallacy behind the outcry for "a truly Canadian car." Of course, in our official brief, the futility of this theme is outlined in more detail.

I should now like to mention another area of periodic public criticism. That criticism finds its expression in the query: "Why don't you build the kind of cars which people want?" Mr. Commissioner, I submit that we, in the automotive industry in Canada, try to do just that. Our industry makes



just as full use of the devices of consumer research and public preference as do all other major industries.

There are three major factors which complicate our problem of trying to keep abreast of what our customers want. The first harks back to the point which I have already discussed -- Canadian dependence on American styling. The second I can describe only as the unpredictability of the automobile-buying public. And the third is a technical reason, and it evolves through the lead time which is required in designing and tooling, which runs, in most cases, up to periods of about 30 to 34 months. So these three factors preclude the possibility of a quick turn-around.

In support of this statement of "why don't you build what the public wants?" I should like to remind you, sir, that the flood of British and European automobiles into the Canadian market did not come in one wave. It came in two waves. A great many people have forgotten the sudden influx of British and European cars shortly after the end of the Hitler war. Normally, we Canadian manufacturers would have been worried, but we were not unduly concerned because our customers assured us that they would revert to the standard-size North American cars as soon as the so-called buyers market was restored. If that artificial boom in small cars had continued, then I can assure you that the North



ANGUS, STONEHOUSE & CO. LTD.

TORONTO, ONTARIO

American compact cars would have made their appearance that much sooner. Had they done so our critics could hardly be saying now that we don't give the public what it wants.

But just let us look back. What did actually happen? At that time, as soon as the North American cars were in good supply, the first boom of the small imports subsided as quickly as it began, and their remains cluttered up the used-car lots. But now, ten years later, it has reached a new peak. This time it is serious. By the end of the 1959 model year British and foreign imports had captured in excess of 27 per cent of the Canadian new car market, and a penetration of 30 per cent for 1960 is being freely predicted today.

I would suggest that no further statistics are necessary to focus attention on this -- the very heart and core of the predicament in which the Canadian automotive industry now finds itself.

It is set forth in our brief that the Canadian car manufacturers have little or no control over the size, the horsepower, or the designing of the cars which they sell; therefore, I submit that any remedial action must be taken at the level and the point of importation, and it must be taken by the Government of Canada.

This situation, combined with the problems facing the Canadian automotive and parts industries, is in some measure responsible for the present high



level of unemployment in Canada.

Under the British Preferential Tariff -- established in the so-called "hungry thirties" when British automobiles were a rarity in North America -- Commonwealth cars entered Canada duty-free. The desirable arrangement -- from the point of view of the entire Canadian economy -- would be for the British and European car companies to find themselves in a position where it would be advantageous for them to build their vehicles in Canada, with Canadian materials and Canadian labour. Consequently, to that end, in our brief we advocate more than merely an upward revision of the British Preferential Tariff. In addition, we urge a review of tariffs on all British and foreign imports, up to a level which would permit Canadian-built vehicles to be more competitive in terms of price.

Also in our brief is a recommendation on the contentious issue of "content." To prevent exploitation of provisions of the Customs Tariff, to the serious detriment of the parts industry and the Canadian economy, we recommend that "British Commonwealth" content terminology, wherever appearing in the Customs Act, be changed to "Canadian content", and a considerable broadening of the "content" provisions.

Another point upon which we have recorded our opinion is that the excise tax on passenger automobiles has long outlived the reasons for its



1 imposition and remains as one of the most discrim-
2 inatory and harmful taxes suffered by the Canadian
3 economy. We recommend the immediate repeal of this
4 tax. The excise tax is unjustifiable because it
5 cannot be defended on the grounds of economic or
6 currency controls, nor can it be defended on
7 administrative or political grounds.

8 This tax is discriminatory because the
9 legislation creating it singles out one industry,
10 the motor vehicle manufacturing industry, for onerous
11 treatment, and taxes its product higher than any
12 other essential product manufactured in Canada.

13 Turning to the subject of tariffs, it is
14 worth noting that a considerable number of nations
15 have brought their individual automotive industries
16 up to a healthy position in world competition by
17 means of a measure of tariff protection.

18 -

19 -

20 -



1
2 Among the countries which come to mind
3 in this connection are the United Kingdom,
4 Australia, South Africa, India, Mexico and some
5 South American republics.

6 The measure of protection given to our
7 industry in earlier years was barely adequate. It
8 did, however, enable us to develop despite the
9 proximity and immensity of the United States auto-
10 motive industry. Our continued existence alongside
11 this powerful competitor was made possible, apart
12 from protection, by the fact that the United
13 States manufacturer was paying labour costs greater
14 than ours.

15 But, now, however, that the auto-makers
16 of the United Kingdom, Germany, France and other
17 European nations have mastered the business of
18 mass production, and are using cheap labour in the
19 process, Canada's existing measure of protection
20 for its native automotive industry can no longer
21 be considered adequate.

22 While the 17.5 per cent ad valorem duty
23 levied against foreign cars is inadequate, the
24 free entry of the U.K. cars under the British
25 Preferential Tariff is proving little short of
26 ruinous to the Canadian industry.

27 The continuance by Canada of the British
28 Preferential Tariff structure is rendered even
29 more incongruous in the light of the 20 per cent
30 tariff which the U.K. imposes on Canadian auto-
mobiles.



1
2 It is our submission, sir, that the present
3 basis of entry into Canada of British and foreign
4 automobiles must be revised if there is to continue
5 to be a sufficient incentive to manufacture auto-
6 mobiles in the Dominion.

7 To illustrate this point, one could safely
8 say that under existing tariff conditions, our
9 parent Corporation could achieve definite ad-
10 vantages if it transferred its present Canadian
11 operations to low-wage Britain. Under this arrange-
12 ment, our parent Corporation could then lay down
13 finished automobiles in Canada more cheaply than
14 we can now build them in the Dominion -- thanks
15 to the British Preferential Tariff system.

16 As things stand, Britain and foreign
17 nations are currently "exporting their unemploy-
18 ment" to Canada in the form of cheaply produced
19 motor vehicles. We in Canada, therefore, are
20 virtually importing unemployment.

21 Briefly stated, we contend that this
22 Dominion cannot afford to continue a benevolent
23 low-tariff policy toward British and foreign
24 nations which have equalled or surpassed us in
25 automobile mass production techniques, and have a
26 formidable advantage over us in labour costs
27 as well as much larger markets.

28 In our brief, we strongly recommend that:

- 29 (1) Canada's automotive tariff items be
30 freed from G.A.T.T., thus enabling prompt
remedial tariff action as required, without



1
2 long-drawn-out negotiations with the Govern-
3 ments of other contracting nations.

4 (2) Rates of duty on finished motor vehicles
5 from all countries, including the British
6 Commonwealth, be increased to a uniform
7 level that will neither preclude importations,
8 nor contribute to their competitive ad-
9 vantage.

10 Such protection would provide a
11 greater measure of encouragement for
12 existing domestic industries, and would
13 provide a strong incentive to British
14 and foreign producers to manufacture in
15 Canada.

16 Now, the question is logically asked:
17 "What can the Canadian automobile manufacturers do
18 to alleviate their own problems?"

19 Toward this objective, our company has
20 this year reduced the variety of car makes and
21 models. The premise in this undertaking is that our
22 total sales and production volume will improve
23 through efficiencies and lower cost, thus also in-
24 creasing the economic practicability of sourcing a
25 greater volume of components in Canada, rather than
26 the U.S.A.

27 Greater advertising and sales emphasis
28 on low-priced Canadian-produced vehicles, rather
29 than those equipped with costly U.S. options -- for
30 example automatic transmissions -- by Canadian producers



1
2 could also contribute to an improved sales position
3 against imported products.

4 The primary concern of the Chrysler
5 Corporation of Canada is in manufacturing auto-
6 mobiles and marketing them.

7 Obviously, the parts manufacturers have
8 submitted their own brief or briefs.

9 However, because of the close relation-
10 ship and inter-dependence of the two industries,
11 we have included in our submission some comments
12 touching upon the problems peculiar to the parts
13 industry.

14 Briefly stated, we believe that the
15 British Commonwealth content provisions of the
16 Customs Tariff Act, enacted as a form of protection,
17 have largely out-lived their usefulness in Canada's
18 over-all interests.

19 Therefore we propose that "content"
20 provision proposals be expanded over a broader
21 range of production volumes, with less severe
22 application to low, and more severe application to
23 high, volume producers.

24 Uniformity of tariff rates are proposed
25 with decreases in Most Favoured Nation Tariff.

26 This combination of adjusted "content"
27 requirements and tariff rates will provide
28 greater protection to parts manufacturers, and
29 correct to some extent the competitive disadvantage
30 of low-volume vehicle producers, without destroying



1
2 their incentive to develop supply sources in
3 Canada.

4 At the same time, it will provide a
5 much stronger incentive to high-volume vehicle
6 producers to procure their components in Canada.

7 The over-all effect should be strongly
8 conducive to continued expansion of existing in-
9 dustry and an encouragement to new industry.

10 Mr. Commissioner, as I said at the outset,
11 I have refrained from reading the text of our
12 brief before you here today.

13 Rather, I have touched on its salient
14 points only.

15 At this time I should like, however, to
16 quote only the concluding sentences of that brief,
17 because they constitute the core of our submission
18 in what might be described as "compact" form.

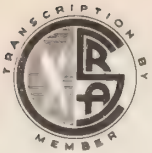
19 The Canadian automotive industry is
20 today at the most critical point in its half-
21 century of history.

22 It is striving to steer a course on
23 the changing tides of public preference.

24 It is attempting to meet buying trends
25 which vary between ostentation and austerity, and
26 between the capacious car and the compact.

27 It is enduring the illogical burden of
28 an unfair excise tax which still hangs the label
29 of luxury on the indispensable automobile.

30 It is trying to conform to a Commonwealth
content regulation, which fails to achieve its



1
2 intended result, and aggravates the competitive
3 disadvantage of low-volume domestic producers.

4 It is watching helplessly the virtual
5 disappearance of an export market which originally
6 was one of its prime reasons for existence.

7 In its own home market it is losing ground
8 steadily to European and British vehicles, which
9 are produced at wage rates of about 33 per cent
10 to 66 per cent of the Canadian level.

11 It is facing pressures for higher wages
12 from an American-dominated labour force.

13 And finally, it is being victimized by
14 a depression-born system of British Preferential
15 Tariffs which were conceived when U.K. automobiles
16 were almost unknown in Canada, but which now
17 give them an unfair advantage in the bitterly
18 competitive Canadian market of today.

19 As I said, we fully realize the purpose
20 of this commission is to study the problems of the
21 Canadian automotive industry.

22 But it must be evident, however, that
23 our problems and future are similar to practically
24 all secondary industry in Canada.

25 This country, its economy, and its
26 people have reached -- are not approaching -- but
27 have reached -- a crossroad in our history.

28 Are we, by the inaction of the Government
29 of Canada, to revert to the position of being pro-
30 ducers of primary product and sending it to overseas



1
2 companies to be fabricated into finished goods and
3 returned here for distribution, or, will the
4 necessary Government action be taken to make
5 it possible to expand all our secondary in-
6 dustry which is now facing stagnation -- and
7 in many cases -- extinction?

8 Mr. Commissioner, may I thank you for
9 the opportunity of appearing before you today.

10 If any of my comments or the contents
11 of our brief should, in your judgment, require
12 elaboration or further discussion, I am at your
13 service, sir.

14 THE CHAIRMAN: Mr. Todgham, I thank
15 you for a vigorous brief and, I suppose in some
16 ways, very contentious brief.

17 I would like, naturally, to follow
18 up by some discussion, and perhaps I will take
19 you away from your brief for a moment.

20 Since I asked the other two companies
21 who appeared this morning about their imports,
22 I would like to ask you about the price of the
23 Simca in the pattern of your company's
24 operations in Canada.

25 MR. TODGHAM: Well, sir, first of all,
26 I would like to say that the reasons for us having
27 Simca in our pattern is somewhat different from
28 the two gentlemen who spoke here this morning.
29 Chrysler Corporation did not have or does not
30 have manufacturing facilities in the European
area, and in order to enter world markets --
and, after all, this is now a world-wide



1
2 industry -- the easiest way for that corporation
3 to get into the world markets was to purchase an
4 interest in an already established concern. We
5 did not have manufacturing facilities in the United
6 Kingdom, in Germany, in France or in Italy before
7 we purchased a minority interest in Simca, and
8 those products and the existing marketing outlets
9 for those products, already throughout the world
10 other than in the United States and Canada, gave
11 us an already open door to get into the world
12 markets; not to the same extent or on the same
13 basis as General Motors or Ford, but at least
14 it was a step in the right direction.

15 I believe you were also asking for
16 our thoughts about the legislation last week as to
17 how it affects Simca. I am, personally, in a little
18 better position than my two confreres this morning.
19 We do not anticipate that our prices will be
20 affected by reason of cost or tax or duty. They will
21 not be increased, the reason being that our import
22 costs of Simca have been and are still considerably
23 in excess of the minimum values acceptable by
24 Canada customs.

25 This arises from the fact that it is purely
26 internal, we buy the Simca car from an intermediary,
27 Chrysler S.A. in Switzerland, and they purchase
28 Simca cars from Simca and in turn sell them to us,
29 and the basis for selling them to us is already in
30 the area which our department last week put the
rest of them in.



1
2 So we don't anticipate an increase in
3 the price of Simca.

4 THE CHAIRMAN: In other words, you would
5 not really be in a position to take advantage
6 beforehand, and therefore you lose nothing when
7 this advantage is withdrawn?

8 MR. TODGHAM: No.

9 THE CHAIRMAN: Your brief is surely a
10 protective one. To ask for high protection or for
11 protection is not very meaningful without some
12 figures. I first thought that perhaps if you
13 removed the British preference and had a 17-1/2
14 per cent against everybody you might have been
15 also content, and then I began to realize this
16 wouldn't even begin to make you smile. Am I right
17 in this interpretation?

18 MR. TODGHAM: We do not set a figure.
19 We think that the basis for the re-valuation of
20 tariffs rests with authorities and boards which
21 have been set up for that very purpose, who have
22 access to costs, overseas costs, domestic costs,
23 and if the whole picture is approached by the
24 Government board with fairness and sound judgment,
25 they will come up with an answer.
26
27
28
29
30



1 THE CHAIRMAN: Well, surely that will
2 come up as a result of discussions with the automotive
3 industry. Am I right in assuming that $17\frac{1}{2}$ per cent
4 does not sound good enough to you.

5 MR. TODGHAM: I don't know whether $17\frac{1}{2}$
6 per cent is good enough or not.

7 THE CHAIRMAN: Your brief suggests you do,
8 that you think it is?

9 MR. TODGHAM: It is like negotiating; you
10 can set your sights for the sky, and you settle for
11 less.

12 THE CHAIRMAN: Every little helps.

13 MR. TODGHAM: Every little bit helps.

14 THE CHAIRMAN: Somebody yesterday asked me
15 whether the consumer would be represented, and I
16 suggested that not only do I represent the pedestrians,
17 but I represent the consumers, and I find it hard
18 to take very seriously the recommendations that would
19 raise the price of automobiles much; I don't think
20 the people of Canada want secondary industry that
21 much.

22 MR. TODGHAM: There is the question. Let us
23 take an extreme example; what will happen to this
24 country, how many people will there be to buy
25 automobiles or sell them, or test material from
26 outside, if all secondary industry passes out of the
27 picture. We will have to go back from an 18 million
28 population to 8 million, and although our primary
29 production will support an economy of 8 million people,
30



1 I don't think it can support an economy of 18 million
2 people. So, we have the price going up by virtue
3 of the tariff, and that will be significant because
4 there will be nobody to buy anything or the wherewithal
5 to buy it.

6 THE CHAIRMAN: Can I try it another way, then;
7 behind this productive tariff, the costs will depend
8 on the volume of production, and what volume in Canada
9 is required so that we can produce at prices that
10 will not stagger the Canadian public? How much
11 increase in volume is required?

12 MR. TODGHAM: Well, I would go along 100 per
13 cent with Mr. Sale's answer to that question this
14 morning. He mentioned roughly double his present
15 production, and if we could double our present
16 production it would be all peaches and cream, with a
17 little honey thrown in.

18 THE CHAIRMAN: Now, suppose that as a result
19 of your tariff the English and European producers
20 establish and start to assemble in Canada, this
21 would mean a greater Canadian production than it would
22 mean by dividing the production over a great many
23 more producers, and isn't there a danger that this
24 would really mean continuing high cost production
25 because of a lot of low volume producers?

26 MR. TODGHAM: Sir, I don't think it would,
27 providing these European or United Kingdom producers,
28 when they establish in Canada, were encouraged to
29 secure their components in Canada and would not be
30



1 permitted to bring in the components for the cars
2 they are making and that they are going to assemble
3 here from the United Kingdom or from Europe,
4 because the same argument of increase in volume to
5 the car manufacturers applies to the parts men that
6 are sitting here today, and if they could have added
7 to the present Canadian manufacturers' volume a
8 double volume on our part, or even if it was double
9 in total, and if they have the U.K. and European
10 volume -- whether it is in a bumper or a spring
11 plant, or door handles -- if they had that as an
12 increase there is no question but that the total cost
13 in the over-all industry would be bound to come
14 down, and it would also make possible the area
15 that you paraded Mr. Walker to; it would put them in
16 a much more competitive point of view or better
17 competitive position to go in and tap some of these
18 United States markets with the components.

19 There are some parts manufacturers -- I
20 think some are in this room today -- who are
21 competing favourably in the United States market,
22 and there are others who cannot, but with this
23 increased volume that would come from a U.K. producer
24 producing here and using Canadian components, I
25 would think -- and this may be brought out in the
26 further briefs of the parts manufacturers later on,
27 tomorrow or whenever it is -- that it would open
28 up many doors for some of them; maybe not the marginal
29
30



CC-4

ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 85 -

1 fellow, but some of the larger ones might step in
2 and take up some of this United States business,
3 which would improve this trade imbalance that we have
4 today.

5 THE CHAIRMAN: This is very interesting, and
6 I would like to just make sure I understand. This
7 argument really is, to put it this way, even if your
8 output couldn't be doubled, if the total Canadian
9 output were increased it might be possible to get your
10 costs down?

11 MR. TODGHAM: Yes.

12 THE CHAIRMAN: Because you would be able to
13 do things cheaper?

14 MR. TODGHAM: Yes.

15 THE CHAIRMAN: It is an important thing.

16 MR. TODGHAM: I would think that the parts
17 men, when you query them, could give you a more
18 realistic answer to that than I could. We essentially
19 are what you might call marginal parts producers
20 as opposed to Mr. Walker of General Motors, who is
21 a major parts producer.

22 THE CHAIRMAN: You referred to the other
23 countries and what they have done, and could you tell
24 us this -- it is perhaps unfair to ask for such
25 detailed information, but you probably have it at
26 your fingertips -- what is the degree of production
27 in these countries which you mention? What were
28 these countries, England, U.K., South America?

29 MR. TODGHAM: One which I am familiar with,
30



1 perhaps more familiar with by virtue of it being
2 fresh in my mind, having had in Windsor last week
3 two of our principals from Bombay, and they produced
4 over there profitably automobiles and trucks, and
5 will achieve 90 per cent content with a 16,000
6 production.

7 THE CHAIRMAN: What protection?

8 MR. TODGHAM: You cannot bring in a completely
9 built up car except under special regulations.

10 THE CHAIRMAN: What is the relative price?

11 MR. TODGHAM: I didn't get into price with
12 him; I wouldn't know the difference in the price.

13 THE CHAIRMAN: You cannot have a Canadian car
14 unless you are prepared to pay money for it, that is
15 true, but perhaps the Indians are prepared to pay
16 this?

17 MR. TODGHAM: In so far as Australia goes,
18 I am not familiar with it -- Mr. Sale is much more
19 familiar with the Australian situation than I am
20 because we basically in Canada don't have a large
21 export operation. I am not familiar with the details
22 of how they operate, but just as an aside I think it
23 would be interesting for you to know that in my
24 discussion with these people from Bombay the other
25 day we talked about why we have been so-called frozen
26 out or pushed out or doors have been closed on us in
27 export areas. India still -- so I was told by these
28 gentlemen -- exercises a certain amount of Commonwealth
29 preference on small components coming in, even in this
30



1 10 per cent area. These gentlemen and I were getting
2 around to the necessity for some sort of government
3 action on our part. These gentlemen came to Windsor
4 after having spent a week in Washington with the
5 Department Loan Fund, and they were given quite a
6 substantial loan running into the millions of dollars
7 to build a press plant in India, but the restrictions
8 in them being given this five or six or eight million
9 dollars to build that press plant, the restrictions
10 which the American government put on that money was
11 that the dies of the press and the various other
12 things that are going to be used in that plant or
13 any small parts that go into the ultimate car, must be
14 American source. So, even though they could buy
15 that same part from us in Canada at less than in the
16 United States, they are locked out, but not by any
17 action of ours as manufacturers.

18 THE CHAIRMAN: If we had had an export credit
19 plan, could you have competed on the price?

20 MR. TODGHAM: I think we could and I think
21 that that applies, sir, not only to the automobile
22 industry, but applies to a good many other industries.

23 THE CHAIRMAN: May I come to the content
24 provisions? It seems that you have two problems here
25 you are presenting to me, and one is the change from
26 Commonwealth to Canada. This is concerned not so much
27 with something that is now happening, but to prevent
28 something that might happen?

29 MR. TODGHAM: I am more concerned about one thing;
30



1 my chief concern is employing Canadian materials
2 and Canadian labour, and anything that is conducive
3 to having more Canadian materials coming into the
4 Canadian automobile, I am for it because the dealer
5 stationed in Galt or Brantford or Hamilton I think
6 should have a chance to get a penny or two of that
7 back, but if it is spent in Toledo or Coventry, or
8 some other place in Europe, I am not going to get any
9 of it back.

10 THE CHAIRMAN: Is there any significant content
11 of the Canadian producers that is really Commonwealth
12 but not Canadian at present?

13 MR. TODGHAM: I don't think there is, but
14 there could be.

15 THE CHAIRMAN: That is what I was asking.

16 MR. TODGHAM: There could be.

17 THE CHAIRMAN: It is really a forward
18 looking question.

19 MR. TODGHAM: Yes.

20 THE CHAIRMAN: You are not concerned there
21 with something that is now happening, but you are
22 concerned, rather, with what might happen if you
23 first got your tariff and then had to come here; then
24 you want to make them put more Canadian contents
25 into the car?

26 MR. TODGHAM: Yes.

27 THE CHAIRMAN: On the other hand, on the
28 adjusting or proportioning of content, is it your
29 argument that our present content regulations make it
30



1 difficult to start in Canada, and what you really
2 want us to do is to be easier while we are trapping
3 people like you and other manufacturers in Canada,
4 and that then having gotten them here and they have
5 established themselves and have got volume, we then
6 begin to impose on them the requirement that they get
7 more and more Canadian content. That is really your
8 idea?

9 MR. TODGHAM: It is an incentive.

10 THE CHAIRMAN: To start?

11 MR. TODGHAM: Yes. We have an American firm
12 coming in here now in the face of existing content
13 regulations and they will be in production in the spring --
14 you will hear a brief from them before these
15 hearings are over with, I presume -- and I would
16 think if content regulations were low enough to
17 attract some of these overseas people to come in
18 here on the basis of building 5,000 or 10,000
19 automobiles, then when they set up -- 20 or 30 or 40
20 of them -- you take it one step further, and if we
21 could build -- getting back to what I think would be
22 ideal -- we are running close to 70 per cent now,
23 but if we could build 100,000 automobiles instead of
24 50,000, I would think it would be reasonably easy
25 for us to get up to 75 and maybe 80 per cent Canadian
26 content.

27 Also, you have another firm here that has been
28 building 5,000 to 10,000 automobiles for the last few
29 years and making a profit out of it; if they can build
30



5,000 or 10,000 automobiles profitably, why couldn't these people from the United Kingdom or Europe come in here on the basis of building 5,000 to 10,000; they can build them profitably here, and when they are doing that they are using Canadian material and labour.

THE CHAIRMAN: You used one rather odd phrase that I would be interested to hear you explain when you referred to one of the disadvantages and one of the problems of the Canadian industry as being an American dominated price structure. Would you explain that?

MR. BODGIAN: Well, our present pattern -- and I don't know whether it applies to the other area or not -- but when cars are priced in the United States they are priced lower not so much on cost as they are to be competitive, and in certain publicly accepted models of our competitors the spotlight is shone on them, and we price our comparable car to that particular vehicle on our competitor's price, whether or not the cost warrants that position, and if the competitive area of price in the United States, model for model, carries that pretty well into this country, there is roughly the same amount of spread between the American price and the Canadian price, and that is what I refer to by American dominated price structure.



1
2 THE CHAIRMAN: You do not think this gives
3 you any freedom in strategy with respect to imports?

4 MR. TODGHAM: No, because we have nothing --
5 when I say "we" I mean Chrysler of Canada --
6 Chrysler of Canada has nothing dollarwise that
7 competes dollarwise with the small European imports.

8 THE CHAIRMAN: But, surely, your sales
9 depend on the extent of the differential between
10 these cheaper cars and your cars?

11 MR. TODGHAM: The more we can narrow that
12 spread the better off we are.

13 THE CHAIRMAN: And you feel you are not
14 free to narrow it as you would if you were an
15 independent Canadian company?

16 MR. TODGHAM: I would not say we are
17 not free to narrow it, but it could be narrowed
18 much easier if there were not this general pattern
19 followed throughout the industry.

20 THE CHAIRMAN: What it needs is a little
21 collusion on reduction. Your brief emphasizes
22 a good deal the sensitivity of car sales to prices,
23 but your protective proposals suggest that the
24 prices of cars will rise. Is there not a danger
25 that this will reduce the aggregate sales and
26 impose some further difficulties with respect to
27 low volume?

28 MR. TODGHAM: Short-term it might, but
29 your proposed elasticity theory -- I am not an
30 economist as you well know, sir.



1
2 THE CHAIRMAN: But you employ economists,
3 and use them?

4 MR. TODGHAM: Yes. Perhaps Mr. Cowan
5 could answer that question better than I could
6 myself.

7 MR. COWAN: Have I your permission to
8 answer, sir?

9 THE CHAIRMAN: Yes.

10 MR. COWAN: We have done a number of
11 studies on Canadian consumer response to price
12 changes. One thing we have noticed, and we would
13 expect it to be true, is that the Canadian is
14 relatively more sensitive to price changes than
15 the American, and we feel, certainly, that from
16 the point of view of the question of volume that
17 somewhat different pricing strategy might give
18 some additional growth to sales in Canada. In
19 other words, any given reduction in price would
20 bring about a greater expansion in volume. We
21 feel that any measures taken to reduce this price
22 gap will stimulate market growth in Canada.

23 THE CHAIRMAN: You have referred, Mr.
24 Todgham, to the reduction of models. I tried to
25 elicit some views on the economies resulting from
26 the reduction of models this morning without very
27 much success. I wonder if you could say anything
28 about the extent to which a higher degree of
29 standardization and reduction in models would,
30 in fact, make such significant cost reductions as



1
2 would make, shall we say, less protection necessary?

3 MR. TODGHAM: Well, we have not put
4 the figures together on that, Mr. Blayden, but
5 the big importance that I see, and it has proved
6 to be so in our own case with the reduction of
7 models, is that it has permitted us to source
8 many more parts in Canada because of the same
9 volume being concentrated on fewer models.
10 We are able to source more parts in Canada rather
than import them from the United States.

11 THE CHAIRMAN: And buy them cheaper?

12 MR. TODGHAM: I do not care so much
13 whether you can buy them cheaper so long as you
14 can buy them at the same price.

15 THE CHAIRMAN: Except that you cannot
16 get the price of the car down until you get the
price of the parts down.

17 MR. TODGHAM: No, but I am just as
18 much concerned about the sourcing of the material
19 as I am about the cost of the material.

20 THE CHAIRMAN: I wonder whether I could
21 ask you for your views on this other aspect that
22 comes into an area about which you have not talked
23 in your brief, the alternative of making the
24 Canadian industry so strong by giving it an American
25 continental market that it does not need these
26 protections. In other words, what about the
27 possibilities of some form of integration, which
28 is a question I asked this morning. What do you
29
30



1
2 think would happen -- I realize that only a long
3 study can give a real answer to this, but I am
4 trying to get the rough judgment of the men
5 who have the feel. What would free trade do --
6 reciprocal free trade with the United States?

7 MR. TODGHAM: First of all, there was
8 no mention made this morning, nor have you mentioned
9 it when you put the question, of the political
10 implications. Everybody steered away from the
11 political implications. It is all right for
12 us to sit here and say it would be good or it
13 would not be good, but until Ottawa and Washington
14 can sit down and get on to some sort of an
15 agreement as to the basis for the ground rules
16 I do not think anyone can assess whether it would
17 be workable, or whether there are any possi-
18 bilities in it. The ground rules must be set
19 and examined first.

20 I feel that this so-called Keenleyside
21 theory cannot help but contribute greatly to a
22 further integration of the Canadian economy into
23 the United States economy. Mr. Coyne has hit
24 that hammer and tongs in the last couple of weeks,
25 and it goes right back to the question: Do
26 Canadians want more integration, or do they not?
27 If they want more integration here is one way
28 to get more, but if they do not want it then
29 all the discussions between Ottawa and Washington,
30 and ourselves in Detroit and Oakville and



1
2 Dearborn is for naught. I am just nationalistic
3 enough in my thinking to think that Canada's
4 future as a politically and economically independent
5 nation is a very bright one, and it deserves a
6 better fate than being submerged in an alien
7 economy. Canada can certainly support and afford
8 a motor vehicle manufacturing industry that is
9 more Canadian than it is at the present time.
10 That is only my personal view.

11 One area that I think should be mentioned
12 in assessing this Keenleyside theory, or this
13 free trade theory, is that if that came about
14 we could, I think, kiss export in the automotive
15 industry goodbye because my opinion would be
16 that Canada would be, perhaps, the source, due to
17 the size of our facilities -- not only ours, but
18 our competitors as well -- of producing the more
19 expensive automobiles, and, of course, the more
20 expensive automobile has not a ready market as
21 has the cheaper car.

22 There, again, I do think there is certainly
23 a lot of merit in investigating it, but before any one
24 expresses an opinion as to whether it is or is not
25 a good thing I think you have got to know the
26 ground rules it is going to operate under, and
27 so far as I am concerned I would offer you the
28 same co-operation as Mr. Sale and Mr. Walker did
29 this morning. We would be more than happy to look
30 at it, and feel out our executives in the parent



1
2 corporation and get their thoughts on it. I can
3 pretty well anticipate their answer. They are
4 going to say: "What sort of atmosphere are we
5 going to be operating under? What security is there
6 that it will be a continuing thing from Government
7 to Government? What happens if our Government
8 changes, or the Canadian Government changes?"
9 Traditionally some political parties are free
10 traders, and some are high tariff men. We could
11 not be changing around facilities in the area
12 that you are mentioning at the whim of the voting
13 public. That would be disastrous cost-wise.

14 THE CHAIRMAN: I do not want to argue
15 this with you because I am here to listen and
16 not for lecturing, but I do feel, however, quite
17 apart from whether it is a good thing or not,
18 that it is a political decision. The people of
19 Canada have to know how much their political
20 decisions cost, and, therefore, it is essential to
21 make some estimate of what could be done to provide
22 both cheaper cars and more employment by some
23 such arrangement. If it is negligible then the
24 political feelings of nationalization clearly take
25 hold, and nothing is done. If these are very
26 significant then the nationalist has to think
27 seriously about what price he will pay for his
28 nationalism, and some, at any rate, might take
29 the view of another good Canadian who is now a
30 professor in the United States that it is a



1
2 prosperous Canada that can stand strongest and
3 most independently against the affluent United
4 States, and if such integration promoted this
5 prosperity it might decrease rather than increase
6 our political independence. These are only political
7 arguments, and I do not know the answers, but I
8 do think they have to be explored. We are concerned
9 at the moment with whether it is a good thing,
10 rather than what these proposals of integration
11 can mean. You say: What are the ground
12 rules, and what is the permanence? Any develop-
13 ment based on a tariff is something subject to
14 the whims of the voting public as to withdrawal
15 or further imposition, yet Chrysler came into
16 Canada because there are some assumptions about
17 permanence. I would be interested to hear the
18 results if your company paid some attention to
19 this. I would like to talk with you again and
20 with your officers in Detroit. One of the theories
21 is free trade. I think there we have to ask:
22 Can we assess the likelihood of there being any
23 continuing industry here at all? The other is
24 reciprocal free trade with some guarantees.
25 Some people have said that you produce the same
26 models in Canada, but I would be worried about
27 producing the wrong model.

28 One proposal has been made to me, which
29 I presented this morning, perhaps not accurately
30 or clearly enough, which could be effected by



1
2 unilateral action. So, this does not require any
3 action by the United States Government, and it
4 could be done by one firm without reference to
5 the others. That is with respect to the Canadian
6 Government's establishing that the content could
7 be considered a continental content. I think
8 we could raise the ante to perhaps 100 per cent
9 and say: "You shall have a much freer entry
10 of parts than you now have. You shall have free
11 entry of finished cars which now you have not got,
12 as long as you buy in Canada for either the
13 Canadian car or for the American car as much
14 as you are selling". This could be done on the
15 basis of a deal. Chrysler could do it, and G.M.
16 refuse to do it, and it could still go on. My
17 only hope would be that if all five were doing
18 it that the pressure on the United States Govern-
19 ment to reduce its tariff might make it an even
20 more satisfactory arrangement.

21 Do you see any possibilities in changing
22 the pattern of your production so that if you
23 buy fewer components for the Canadian car, and
24 your American firm was buying components from
25 Canada, which it does not do now, it will give
26 some Canadian producers a much bigger volume so
27 that they can get costs down even lower. Is
28 this worth exploring?

29 MR. TODGHAM: Yes, I think it is,
30 particularly if you include in that primary industry



1
2 as well as secondary.

3 THE CHAIRMAN: We would have to think
4 about that. This is one of the things you
5 must investigate and you might want to get it up
6 to 110 per cent then. Incidentally, of course,
7 this does not necessarily apply only to the
8 United States.

9 MR. TODGHAM: No.

10 THE CHAIRMAN: Perhaps we could get Volks-
11 wagen to buy Canadian components in order to come
12 in free, but I think the deal is more likely
13 to work with you.

14 MR. TODGHAM: We are back to the
15 ground rules again.

16 THE CHAIRMAN: It would be a company
17 deal. I will have to wait, but I say to you,
18 as I said to Mr. Sale, and as I should have said
19 to Mr. Walker, I hope we can get some sort of
20 an assessment of the possibilities of this reasonably
21 quickly -- not an ultimate assessment and saying:
22 "Well, we can do it, and buy this", and so on,
23 but some sufficient assessment in order to be
24 able to decide whether it is worth pressing further.
25 I think Mr. Sale was optimistic enough to suggest
26 six weeks, but I would suggest -- well, at least,
27 reasonably soon. I would be very grateful if
28 we could make progress on that.

29 MR. TODGHAM: We should be able to
30 have some indication on that, Mr. Blayden, when



1
2 you come to Detroit in the next three or four
3 weeks.

4 THE CHAIRMAN: That would be splendid.
5 Now, can we go to research. I suppose I am
6 hipped on research. You are smaller, and I
7 suppose it is a little more difficult to answer
8 this, but do you see it as a possibility that
9 some of your parent company's research on
10 particular components, or a particular component,
might be put into Windsor?

11 MR. TODGHAM: No, I do not other than
12 in the areas in which we are already functioning
13 such as process, manufacture and industrial
14 engineering research which is peculiar to
15 certain facilities, but the styling or research
16 on engines, we will say, or some of the ideas
17 that automotive engineers are coming up with --
18 our volume over here is not big enough. What
19 you, in effect, are saying is: Will the parent
20 company subsidize it over here, and have it done
21 in Canada? I believe your discussion this
22 morning revolved around keeping some of our
23 engineers and scientists in Canada instead of
24 having them migrate, but I would think that the
25 automotive industry is competing for those engineers
26 and for those scientists against the aircraft
27 and the electronic industry, and what we can
28 do here in Canada to induce an engineer to stay
29 here rather than go down to Lockheed's in
30



1
2 California, with the higher wages that are paid
3 down there, I do not know. I do not know what
4 sort of an embargo you could place on a Canadian
5 scientist.

6 THE CHAIRMAN: You could not put an
7 embargo on the Canadian scientist, but if there
8 are opportunities here many scientists would
9 prefer to live in Canada. We find that we do not
10 always have to pay a Canadian the same rate that
11 he would get in the United States. Frequently
12 he likes to stay with us.
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

15-14

CHRYSLER CORPORATION OF CANADA, LIMITED

Windsor, Ontario

November 1, 1960.

TOUGHAN

V. M. Bladen, Esq., M.A., F.R.C.S.,
Commissioner,
Royal Commission on the Automotive Industry,
Mechanic Building,
Victoria and Adelaide Streets,
Toronto, Ontario.

Dear Mr. Bladen:

Your question, contained on page 107, volume 1, of the transcript, which was asked of us during the public hearings in Ottawa on October 21 and answered by Mr. McMillan at my request, was neither clearly interpreted nor answered.

The question arose from a statement on page 19, paragraph 2, of our public brief. The answer should have been as follows and is contained in paragraph one of page 25 of our confidential brief:

"The Canadian tariff history on motor vehicle parts shows a rate reduction pattern more consistent than that on finished vehicles. Because of the unique structure of the tariff, however, the effective overall rate has, on the contrary, substantially increased. This results from development of the industry with a great many parts progressing from a classification of Not Made in Canada to a classification of Made in Canada at a higher rate of duty—presently, for example, from classification under Tariff Item 4360, N.F.S., free of duty to Tariff Item 4367, N.F.S., at 25% duty. The effect of this progression is reflected in the vehicle manufacturers' higher costs of either the Canadian-made parts or tariff on the imported parts. The full impact of this increase in costs is theoretically lessened to some degree by efficiencies of the Canadian producer."

Yours very truly,

CHRYSLER CORPORATION OF CANADA, LIMITED

Don Todghan
R. W. Todghan,
President.

RECEIVED BY THE COMMISSION OF THE R.W.C. NOV 2 1960

1/11/61



1 In your brief you referred -- this is a
2 matter of explanation, and I am going to make a
3 rather sudden change -- on page 19 you referred to
4 "The Canadian tariff history on motor vehicle parts
5 shows a rate reduction pattern more consistent than
6 that on finished vehicles. Because of the unique
7 structure of the tariff, however, the effective over-all
8 rate has, on the contrary, substantially increased."
9 Could you...

10 MR. TODGHAM: "The Canadian tariff history
11 on motor vehicle parts shows a rate reduction
12 pattern more consistent than that on finished vehicles."

13 THE CHAIRMAN: Yes; but "...because of the
14 unique structure of the tariff, however, the
15 effective over-all rate has....substantially increased."

16 MR. TODGHAM: Well, our tariff man,
17 Mr. McMillan, may answer that question, may he?

18 THE CHAIRMAN: Yes.

19 MR. TODGHAM: Mr. McMillan, it is on page 19,
20 the second paragraph.

21 MR. McMILLAN: The effective over-all rate
22 is the result of the development of the parts industry
23 in Canada under the tariff protection; but while we
24 say that the pattern of rate reduction is more
25 consistent than that on finished vehicles we mean
26 that while the tariff rate on the finished vehicle
27 has decreased from, I think, 30 per cent down to
28 $17\frac{1}{2}$ per cent, the effect of the tariff reduction on
29 the parts has been to actually increase the cost.
30



2
1 Although the tariff rates have gone down the increase
1 in question results from developing the parts industry
2 in Canada without tariff protection and under the
3 contract requirement such rates make it convenient for
4 the Canadian producer to provide these parts rather than
5 importing them; so the effect of the rate, taking into
6 consideration the tariff protection, has been on the
7 Canadian producer.

8 THE CHAIRMAN: What you mean is not that the
9 rate has gone up but the burden has gone up?

10 MR. McMILLAN: Yes.

11 THE CHAIRMAN: I see; I wasn't clear on that
12 particular item.

13 One last question -- and, in a sense, this is
14 coming back to the same sort of thing, wages and
15 productivity: The productivity is itself a matter of
16 volume. Suppose that you had the volume in Canada,
17 is there any reason to believe that the productivity of
18 Canadian workers would be either higher or lower?
19 In other words, is the lower productivity the result
20 of the small market, or is the Canadian worker not
21 as good as the American worker, or better, or is it
22 the result of the small market?

23 MR. TODGHAM: I am sure that the whole
24 question rests on volume.

25 THE CHAIRMAN: There is really very little
26 difference, then?

27 MR. TODGHAM: There is very little difference.
28
29
30



1 THE CHAIRMAN: Canadians and Americans work
2 as hard as each other, with about the same degree of
3 skill?

4 MR. TODGHAM: Yes.

5 THE CHAIRMAN: Well, Mr. Todgham, I thank you
6 very much. I hope I haven't been unduly troublesome,

7 MR. TODGHAM: You have been very kind.

8 THE CHAIRMAN: We shall adjourn until
9 tomorrow at 9.30 when we have a rather long series,
10 starting with the Government of the Province of
11 Ontario.

12 --- Adjournment.
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



W. B. Baker

ROYAL COMMISSION ON
THE AUTOMOTIVE INDUSTRY 1960

HEARINGS

HELD AT
OTTAWA

VOLUME No.: *2*

DATE:
OCT. 25.

OFFICIAL REPORTERS
ANGUS, STONEHOUSE & CO. LTD.
372 BAY STREET
TORONTO
EM. 4-7383 EM. 4-5865



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

I N D E X

SUBMISSION OF:

Page

The Province of Ontario	106
Studebaker-Packard of Canada Limited	142
American Motors (Canada) Limited .	159
Society of Motor Manufacturers and Traders Limited	181
Volkswagen Canada Limited	216
The Council of The Forest Industries of British Columbia	234



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

ROYAL COMMISSION ON THE AUTOMOTIVE INDUSTRY 1960

Ottawa, Ontario,
25th October, 1960.

---Held before Vincent Wheeler Bladen, Commissioner,
at the Parliament Buildings, Ottawa, Ontario.

PRESENT:

Mr. C.D. Arthur)	Economic advisers to the
Mr. J. Stykolt)	Commission
Miss E. Leitch	Secretary of the Commission
Mr. L.P. Kavanagh	Administrative Officer.



SUBMISSION OF THE PROVINCE OF ONTARIO

Present: Hon. Leslie M. Frost
Prime Minister.

G. Gathercole, Esq.
Deputy Minister of Economics.

THE CHAIRMAN: The first submission this morning is on behalf of the Province of Ontario, and it is a pleasure and honour for me that the Prime Minister of that province should appear to make the submission.

Mr. Frost?

HON. MR. FROST: Mr. Commissioner, first of all, may I say that we regard this Commission as one of very high importance. We are most anxious to be helpful to you and to the industry, and, as a matter of fact, in a lighter spirit on that we are anxious to be helpful for the reasons that I should mention.

I come here, sir, with a great deal of diffidence, for the reason that I am not an economist; I am in the company of an economist a very great deal, but I am not an economist. My viewpoints are very much expressed from a grass roots level. I recognize, sir, in your presence and in the presence of this gathering here, which contains experts of note, that anything that I may say might be subject to a great deal of question. Now, sir, having laid that groundwork, perhaps I can make a few comments.



1 I in no way advance what I say -- I may
2 depart a bit from this brief -- I in no way infer
3 in any way that what I would say here is -- I shouldn't
4 use the expression infallible, but you know
5 what I mean. I think that is true of those who are
6 associated with me. Mr. Gathercole is Deputy Minister
7 of Economics, and I have here half a dozen young
8 economists who worked on this brief. To be frank with
9 you, sir, we grope for answers the same as others
10 do.

11 THE CHAIRMAN: As I am.

12 HON. MR. FROST: Well, I would say this:
13 We hope that what we may say will be stimulating.
14 We by no means put this forward as the final answer
15 to things at all. We grope for answers, and we
16 hope out of this Commission will come things which
17 will not only be of assistance to you and to the
18 industry but to ourselves generally in the problems
19 which we meet.

20 Now, sir, I will be frank with you.
21 Mr. Gathercole was good enough to give me a few
22 notes, and I looked them over and decided it would be
23 far better, indeed, much safer from my standpoint,
24 that Mr. Gathercole might be the subject of cross-
25 examination rather than myself, because I don't
26 profess to be an expert. Nevertheless, I am prepared
27 to answer by what I might term the faith that is
28 within me with due regard to my capabilities.
29
30



1 Now, sir, in looking this over I said to
2 Mr. Gathercole: 'Now, George, you better give this
3 yourself.' However, I did look it over again, and
4 there are one or two things to which I should like to
5 refer. Now, this really comes from the brief. I
6 don't want to read anything to you particularly, but
7 there are one or two things here which are expressed
8 in probably more concise terms than I could do, and
9 therefore with that little change in things I should
10 like to speak freely. But I would just refer to one
11 or two things here.

12 Now, the first thing to which I would refer
13 is this. This comes, I believe, from the brief
14 itself. This submission is divided into two parts.
15 Part 1 deals with general manufacturing in Ontario
16 and Canada, Part 2 with the automotive industry.
17 The justification for dealing with general manu-
18 facturing is that the problems and difficulties which
19 beset the automotive industry from time to time are
20 problems and difficulties which are confounding
21 many branches of Canadian manufacturing. Now, sir,
22 I underline that. That is one of the things I
23 think of high importance in relation to this
24 Commission, the fact that although you are dealing
25 with the automotive industry you are dealing with a
26 problem which is affecting secondary industry
27 particularly, and I should say affecting primary
28 industry in our country. Accordingly, some of the
29 measures which may be designed to maintain an expanding
30



1 automotive industry would pertain to manufacturing
2 in Canada in general.

3 Today, some 6 million workers and their
4 families in Canada and nearly 2 3/4 million in
5 Ontario are dependent on manufacturing for their
6 livelihood. Speaking offhand, I think the manufacturing
7 product in Ontario last year was of the order of
8 11 billion dollars, a very large proportion of which
9 we have to sell in the markets of the world. More
10 than 31 per cent of Ontario's labour force and
11 one-quarter of Canada's are engaged in some phase of
12 manufacturing. In addition to employment and income
13 which these industries generate, manufacturing supports
14 a wide variety of trades and services such as
15 construction, transportation and advertising where
16 these services have been occupied in meeting manu-
17 facturing requirements. The economic health of
18 manufacturing in Ontario and Canada is therefore of
19 vital consequence to our province and our country.

20 During the last 15 years, Canada and Ontario
21 have enjoyed a greater progress, in fact, unprecedented
22 in our history. At a time when much of Europe and
23 Asia was in the course of being rebuilt and
24 modernized we were able to expand production for
25 both domestic and foreign markets and raise wages
26 far above the levels of Europe and Japan. Now the
27 situation has changed. Most foreign countries have
28 modernized and have highly efficient machinery. In
29
30



1 addition, they have low wage costs and a structure
2 of exchange rates, controls and manufacturing
3 arrangements, and the effect of these countries
4 enhanced competition upon our own Canadian manufacturing
5 industries is therefore reflected in our loss of
6 markets abroad and reduced sales in the domestic
7 market and a decline in job opportunities and
8 employment in our manufacturing industries.

9 During the last four years in manufacturing
10 in Canada employment as a whole dropped,
11 and in Ontario by about 20,000. This downward trend
12 has occurred at a time when our work force was
13 continuing to grow at a rapid rate.

14 Now, sir, Mr. Gathercole and those associated
15 can give you a greater picture of that. I think
16 last year our work force increased by 140,000,
17 something of that order.

18 MR. GATHERCOLE: 170,000.

19 HON. MR. FROST: In any event, those actual
20 figures can be given to you, but manufacturing
21 employment actually dropped by 20,000. This downward
22 trend in job opportunities, I say, has happened when
23 our work force is continuing to grow. The result
24 of this decline is that the ratio of employment has,
25 of course, reached a level where it is of anxiety
26 and concern. The papers are full of that, Ottawa
27 is full of that at the moment, so I don't need to
28 elaborate. Ontario's submission points up
29 conditions throughout the world. It stresses the
30



1 adaption to these changes. If we in Ontario and
2 in Canada are to ensure the balanced growth of
3 our economy we must devise more effective ways and
4 means for expansion of our industries. We conclude
5 that only by larger growth in manufacturing can we
6 employ our increased population -- and, sir, I think
7 it is one of the things that is written on the wall,
8 that we in Canada have to increase our population if
9 we are going to justify holding half a continent in
10 this land-hungry world -- keep it at home in the
11 face of the attraction of living and working under
12 conditions which the United States is able to create,
13 extend the self-sufficiency of our productive
14 enterprise for peacetime and national defence purposes
15 and safeguard our people against the sacrifices
16 implicit in the cessation of vital foreign imports
17 in times of crisis. I will refer to that last
18 sentence later on, sir.

19 Now, just in connection with that I want to
20 make a few very homely comments. First of all,
21 I think, sir, in 1960 we have to regard this, that
22 we are living in a new world. We are not living
23 in the old world of ten years ago or even five years
24 ago. We are living in a world which is highly
25 competitive, which is going to be more competitive;
26 we are no longer living in a seller's market. Now,
27 let's add this thing up. In the last fifteen
28 years the growth of our industry has come about in
29 a time in which we have been living in a seller's
30



1 market. Now, the economists may dispute that,
2 and may perhaps dispute it successfully, but I make
3 that assertion anyway. We are going to live in a
4 buyer's market and we are going to live in a market
5 which is going to be more and more competitive, and
6 therefore in our country we have got to be good to be
7 able to stand up to that competition. On the other
8 hand, some place or other in this brief it refers to
9 rising living standards in the world. We are going
10 to have more demand for goods, and therefore we are
11 going to have more opportunities. I am not looking
12 at this myself in gloom; I think we have great
13 opportunities. My reactions to the Canadian people,
14 looking back over them in the days of my life, going
15 back to the days before World War I, is that our
16 people have been able to adapt themselves to changing
17 conditions, and I have no doubt that they will be
18 able to adapt themselves to this. But it is a
19 great time for us, an opportune time for us, and we
20 are going to have to meet very greatly changed
21 conditions in the world.

22
23 -

24 -

25
26 -



1
2
3 Now, sir, I would say that on Sunday
4 evening I was looking at C.B.C.-TV -- may the Lord
5 forgive me -- and although I am in a very good mood
6 this morning, I am not looking for any difficulties,
7 but I would say this that I was looking at -- rather,
8 my wife was looking at it, she runs the TV, she
9 usually does, including everything else around the
10 house -- and I was looking at it and I think it was --
11 if it wasn't in the program "Canadian Vision",
12 then it was in something that was very close to
13 that, I mean in point of time -- and I was listening
14 to some of these people from the Asian countries
15 and one of them mentioned something to this effect;
16 he said, "Your goods from North America" -- perhaps
17 his reference was largely to American goods, but it
18 would apply to us -- "Your goods from North America
19 used to be of top quality and utility; now we are
20 finding that other countries are able to give us
21 goods in our estimation which suit our needs more
22 and are made better."

23 Now, that is a rough summation of what he
24 said, so I think it just bears out what I have said
25 that we are living in a new world.

26 Now, sir, in the matter of employment --
27 I know that in some ways my remarks on this point
28 are of a very general nature and you may say perhaps
29 are not so relevant here, but I say, sir, they are
30



1
2 because this inquiry is directed at secondary industry
3 and the development of industry in Canada, and there-
4 fore it applies generally.

5 Now, I would say this, sir, that our work
6 force in Ontario is about 2-3/4 million people. At
7 the present time the Ontario Government and its
8 subsidiaries -- I hate to refer to Hydro as a
9 subsidiary, they don't like to be referred to in
10 that way, but Hydro and our Water Resources
11 Commission and our municipalities -- which I can
12 assure you do not like to be referred to as sub-
13 sidiaries either, so I use that term apologetically --
14 are employing directly and indirectly -- I don't
15 know whether that is the right expression, but we
16 use that expression -- about 310,000 workers.

17 Now, as a matter of fact I would say,
18 sir, this; that I noticed the other day that there
19 was attributed to a gentleman a statement that there
20 should be a mass of public works. Well, I can only
21 say this, that a mass of public works in the end
22 is only a palliative, they are not a cure; the cure
23 is in basically better trade and better trade
24 conditions and being able to manufacture, expand
25 and sell our goods on the markets of the world.

26 I would say this, sir, that really what I
27 think we need to do is to take a look at the world
28
29
30



1
2 and take a massive look at ourselves, and I think
3 therein would lie the key to the situation, rather
4 than indulging at a time such as this in massive
5 public works. Now, I am not discounting the fact
6 that the public works are of very great value,
7 I think it is a great way to use surplus labour,
8 but nevertheless I think we should try to keep our
9 labour surpluses at a minimum by expanding trade
10 and business.

11 Now, sir, with that I will turn to the
12 second part of the brief which deals specifically
13 with the automotive industry, the car industry.

14 Now, might I say this, sir, first of all,
15 and again part of what I say is in my own words,
16 but I think most of it is implicit in what we in
17 this brief say. First of all may I say this, sir,
18 that in our country the motor car, that is, the
19 vehicle that is driven by what, an internal com-
20 bustion engine, is that it, is of absolute fundamental
21 importance, and that is more so when you look at our
22 province, at Ontario. As a matter of fact, the
23 railways in a very large area of Ontario have almost
24 ceased to do business. Very large communities in
25 Ontario are serviced almost entirely by the motor
26 car. In any event, I only look at my own community,
27 which used to be a centre of railway transportation,
28
29
30



C.4
1

2 and where a thousand men were employed in Lindsay,
3 and now it has just got down to a mere handful,
4 and I also look at the railway services that
5 extended across our country and see that it is all
6 done by motor car and trucking, and therefore the
7 motor vehicle is an absolute necessity; it is
8 completely vital to the operation of our country.

9 As a matter of fact, in one of the rail-
10 way strikes here a few years ago, the main services
11 of Ontario were carried on without too much interruption
12 and, as a matter of fact, by reason of a tremendous
13 highway system and by reason of the fact of the
14 development of the trucking and the motor transport
15 industry, including private cars, so that gives
16 you an idea of the importance of it.

17 Now, sir, with that background I want to
18 say this; I have been critical of the motor car in-
19 dustry; that is, the manufacturing industry. Some
20 people have said that I was unfairly so. If
21 I am unfair, well that can be straightened out,
22 but I still think that I was largely right in what
23 I said.

24 As a matter of fact, I protested
25 vigorously at the time in Windsor, for instance,
26 when there was a great upsurge in manufacturing
27 back -- what would that be? -- In the 1953-1955
28 period.

29

30



C.5

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

Now, it would be in that someplace where workers were being brought from all over to manufacture cars and to increase production, which it didn't seem to me we were going to be able to hold. If we were going to be able to, well then, that was going to be a surprise to me, and I so stated that at that time. I protested over the fact that the bringing of very large numbers of workers into Windsor was going to mean that we were going to have a high level of unemployment in that community and some other communities in Ontario, and I would say, sir, that that has come about. Now, not perhaps altogether from the reasons I gave that I envisage that, but the fact that it seemed to me that these large industries, which in fact are subsidiaries of American industries, were engaging in competition and expansion which it didn't seem to me could be maintained. Now, the result; today in the city of Windsor we have around about 10,000 unemployed persons. Now, again I use that figure, but I can't vouch for the actual figure, but it is in that neighbourhood; it may be more, but I doubt if it is any less, and it is a very serious situation.

Now, it seemed to me back in that period of 1953 - 1955 when I spoke about it at that time



1
2 that it would have been far better if our in-
3 dustries there were looking at the long term instead
4 of the short term. Now again, sir. I advance that
5 as my point of view.

6 Now, I would say this in connection with
7 the indispensability of the motor industry, and
8 dealing with a product which is so vital to our
9 country -- and I have said this before -- that
10 it seems to me, and I will refer a little more
11 specifically to this in a moment, that colour,
12 chrome, upholstery, fins and designs have been
13 about as fickle as a woman's hat or dress. Now,
14 I say that again with apologies, sir, but all women
15 would admit, of course, that they like to be fickle
16 in most things, and that is their business, but
17 the motor industry, that is, the motor car -- if
18 I can use that word generally -- and it seems to
19 me that we have gone in altogether too much for
20 style and for things that are subject to change
21 from year to year.

22 As I say, it is almost like buying a
23 new hat.

24 Now, that, sir, in a competitive world
25 where we are going to be faced with all sorts of
26 competition and demands, I just wonder how could
27 our way of life justify such expenditure and such
28 extravagance. Now, I wondered about that over these
29
30



1
2
3 years as to whether we were not going mad in the
4 matter of expenditures, which in the end end up in
5 some boneyard or some car dismantling lot, where
6 you see the styles of three or four or five years
7 ago burned up.

8 Now, sir, how long I would wonder, and
9 this is from the standpoint of economics and I
10 harken back to my old Scottish origins, I wonder how
11 long a nation could do that in a world where a lot
12 of places they cannot afford things of that sort
13 and they are knuckling down to business. How can
14 we afford every year to come out with something
15 new?

16 Now, it is not, as I understand it, so
17 basic -- or, as I see it, -- so basic in the engine
18 and in the machinery and the framework of the car,
19 but it is in the things that don't mean anything.
20 Now, as a matter of fact -- and I don't like to
21 be unduly critical -- I would say this; that in
22 this great new developmental country we have been
23 reaching a stage where it is pretty difficult to
24 take these great motor cars and drive them off some
25 of the paved highways that we have. Certainly,
26 I wouldn't want to take these cars partridge
27 shooting, so you get one from the boneyard if you
28 want to do that. I just mention these things.
29
30



1
2
3 I say, sir, that I think it is a great time
4 to really take a new look at ourselves and see where
5 we are going and find out how much money we waste
6 or could have wasted on those things that are merely
7 just things that you can throw aside and ultimately,
8 perhaps, bonus the dealer to take these cars off
9 the road and put on new ones. I say this in a
10 world that is competitive and where we are going to
11 make every dollar count.

12 Now, sir, there is another point to which
13 I would like to refer. It is not referred to in the
14 brief, but it is this; yesterday I was in the barber
15 shop, and in a place like Lindsay the barber shops
16 are very important places, and I will never
17 forget in my old home town Jeff Thorpe, of Stephen
18 Leacock's book, saying that it was a great place
19 to see what was going on and find out what is happening
20 and so on, and I was in the barber shop yesterday --
21 primarily preparing to come to this august body
22 here -- and one of my friends, a car dealer, came
23 in and he stood there and he talked to me, and I
24 asked him a lot of things of common interest. I
25 asked him how business was, and he said, sir,
26 that it wasn't just as good as it has been.

27
28
29
30



C-1

1
2
3 One thing led to another, and he asked
4 me to drop into his office, which I did on the way
5 out.

6 Now, sir, I think this is about the situ-
7 ation. Most car dealers have, say -- and I am not
8 going to mention what car this man was dealing in --
9 Chrysler or Plymouth with a small car that comes
10 from the Old Country; Dodge and Chrysler with a
11 small car; Chevrolet and Oldsmobile; Pontiac and
12 Buick; Ford and Monarch; and Meteor and Mercury.
13 He told me this, that in his establishment in
14 the lower price of those two -- and the ones that
15 I mentioned first are not necessarily the lower
16 priced; I don't know which is the low priced, but
17 one of those is low priced -- in the lower priced
18 he told me, with respect to Canadian cars,
19 he had 17 different types of cars -- that is,
20 17 different types of cars of Canadian manufacture --
21 in the 6-cylinder class.

22 He told me that you could get an 8-cylinder
23 engine for any one of those models; that is, for
24 the car model you wanted you could get an 8-cylinder
25 engine, and the 8-cylinder engines were three in
26 number, say, 260 horsepower -- I cannot give you
27 these figures exactly but I can get them, sir --
28 280 horsepower and 380 horsepower.
29
30



1
2
3 Then, in that again there were three
4 different options in transmissions that you could
5 get. That is not all you could get. You could
6 get those permutations and combinations with
7 15 straight colours, and then 57 combinations
8 of two-tone colours.

9 Now, sir, that is in the low priced
10 class. I will not bother with the other class
11 because it is merely a repetition of that.

12 I asked him: "Well, where do you make
13 your money?" And the answer I received was:
14 "Really, about 75 per cent of our business is
15 in about three models or combinations, and the
16 remaining 30 per cent is very largely in two.
17 The rest of what is there is more or less a matter
18 of convenience. Very many of them we do not
19 sell or attempt to sell. It gets down to perhaps
20 five or six in which we do our business."

21 Sir, I am not an economist, but I think
22 we might ask ourselves: "Who pays for that?" Is
23 that reflected in the cost of cars here and abroad?
24 I think it would be very well to just have a look
25 at that. Surely, in an industry which is so vital
26 to our country -- vital to us not only from the stand-
27 point of manufacturing and export trade, but so
28 vital to the operation of our province because our
29
30



1
2 province of Ontario is a province on wheels. We
3 have now a motor car for approximately every three
4 persons in Ontario. Actually, you could put every-
5 body in Ontario in a motor vehicle at the same
6 time, and none of them would be crowded. I think
7 that is something that is worth looking at!

8
9 The Ontario submission, in general terms
10 deals with the penetration of motor vehicles in
11 the Canadian market, and the effect on domestic
12 production and employment in the industry, and I
13 have taken these figures from the submission.
14 Imports of motor vehicles have increased from fewer
15 than 58,000 in 1955 to nearly 166,000 in 1959,
16 representing 13 per cent of the total Canadian
17 production in 1955 and 45 per cent of the total
18 Canadian production in 1959. The figures for 1960
19 will undoubtedly be higher.

20 As we point out, the entire increase is of
21 European origin. Imports from Europe have risen
22 from 23,000 in 1955 to more than 136,000 in 1959
23 at a time when they represented 37 per cent of total
24 Canadian production. In large part, owing to these
25 imports Canadian production has declined from a
26 peak of 481,000 in 1953 to 454,000 in 1955, and
27 369,000 in 1959. Employment in the industry
28 have fallen from 54,000 in 1953 to 42,000 last
29 year, which is a decline of 12,000 or more than
30



20 per cent.

Now, I would say this, that we in Ontario have been building bigger and better highways, and in that regard we have been faced with this difficulty -- and this has been referred to before -- that cars have been getting wider and longer all the time. I would say that half or, perhaps, three-quarters of the garages in Ontario -- and I am talking about private garages -- have been outmoded in Ontario by the increased size of motor vehicles, and all to no purpose except, as I say, more style, more colour and more chrome. Our highways are very expensive, and they have been built out of the pockets of our people and they are being outmoded because motor cars are constantly increasing in width. They have been increasing in width up to a point a year or two ago when we discovered that the models of that year were an inch wider than the maximum set up by our statutes.

I would say this, that in safety and utility and everything else these cars were not only outmoding our highways and causing us tremendous expense, but at the same time were becoming very cumbersome. When I see my wife driving the car downtown I realize that it is about as big as a truck when trying to get it into a parking



place. From this you have the municipal problem in the streets of Ontario.

I just mention some of these things for this reason; surely, our motor people -- and I would say that probably most of our designers are dictated to by the great country to the south of us -- have simply not been meeting the requirements of this country. I do not know whether that is really a true statement or not, but the popularity of the European vehicle in Canada is the result of (1) lower price; (2) economy of operation; (3) ease of handling in congested traffic.

I just mention some of these things, and I say this: Why is it that these cars are coming here, and our people are buying them? It is because this is a buyer's market and people want utility; they want these things that I have mentioned. An awful lot of people are getting tired of buying a new hat every year in the form of a car. Those are the things we have to look at. The Canadian consumer preference is shifting to lighter, cheaper and more economical vehicle, while the American manufacturers and their designers have been moving -- I put this in because I hope the trend is reversing -- steadily towards, longer, wider and more expensive vehicles. I think those are some of the things that are very fundamental to



1
2 this inquiry.

3 I would say this, that I do not think
4 our problem in this industry, and, perhaps, our
5 problem in other secondary industries, is something
6 that is a matter of Government regulation. Some
7 people might argue that we have too much Govern-
8 ment regulation now. I always deny that, but some
9 people do argue it. Perhaps that might be
10 true. I would say this, that I said a moment ago
11 with respect to employment we had to take a massive
12 look at ourselves, and I think the motor industry
13 has to take a massive look at itself. The
14 great increase in importations has been because
15 the motor industry here has not only been pricing
16 itself out of the market -- perhaps that is easy
17 to say -- but it has also, certainly, been styling
18 itself out of the market in this province. The
19 motor industry has, in many ways, sacrificed too
20 much for the sake of appearance. It has sacrificed
21 utility, which we desperately need in this province --
22 utility or use. Our people have not the money to
23 throw down the drain on a new car every couple of
24 years, and I think, sir, that this is one of the
25 places where the North American manufacturer had
26 better take a good look at himself. He should
27 take a look to see what is needed to make the wheels
28
29
30



1
2
3 go round in these days when we are faced with all
4 sorts of competition and, indeed, not a few dangers,
5 from outside.

6 That is all I have to say, sir, subject to
7 this; you say: "Well, what would you do about it?"

8 That reminds me of an incident in my own life. I
9 once listened to a man who had been a Member of
10 Parliament out West in one of the Prairie provinces.

11 He was not of my party. He was talking about the
12 banking system to a service club. He told all
13 about the difficulties of banking, including how the
14 manager gave you a glassy stare when you came in
15 for a loan. I thought that this was one of the
16 greatest speeches I had ever heard, but at that
17 point he sat down and did not say anything more.

18 I do not want to be in exactly that position,
19 and I think in what I say here I can talk from the
20 grass roots level about people who are using motor
21 cars. They are the people I am interested in and
22 concerned about. I am interested in the farmers
23 and people who live in the streets of our towns and
24 cities, and those who ride some of our developmental
25 roads and who tell me how bad they are and how
26 their cars cannot get over them. That is what
27 I am saying principally here. In this brief
28 there are half a dozen proposals which might be looked
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 128 -

1

2

at in a general way. We do not want to come here
and just be critical; we want to help.

3

4

5

-

6

7

8

9

-

10

11

12

-

13

14

15

16

-

17

18

19

-

20

21

22

23

-

24

25

26

-

27

28

29

30



1 I just take this out of what Mr. Gathercole
2 gave to me this morning, and I will just read this
3 for the reason that I do not want to come here and
4 advocate one particular thing. These aren't my words,
5 but I agree with them in the main, sir.

6 The solution to the automotive problem in
7 particular and the manufacturing problem in general
8 is not simple or easy. That goes without saying.
9 Whatever measures are adopted should be applied
10 across a broad front.

11 Now, I say that as one of the four trading
12 nations of the world Canada cannot afford to isolate
13 herself behind a barrier of high import duties
14 or embargos. Canada and Canadians will only be
15 strong by exposing themselves to competition from
16 abroad.

17 In the past we have enjoyed a cost
18 structure which was competitive with other major
19 countries. It is almost universally accepted that
20 this position of relative advantage has been
21 accepted, and some industries have moved the other
22 way. But, we are convinced that the main remedy you
23 have rests in secondary industry of itself. Since it
24 can't be expected to escape the import of change
25 it must adjust itself. Where the loss of a market
26 forces a shutdown in some operations industries must
27 be alert to the development and expansion of others.

28 In every country in the world the propensity
29
30



to consume is almost insatiable. There are voracious appetites for more goods and fair living standards.

Although we realize there are difficulties progress can be made in meeting competition both at home and abroad. Now, I say that for this reason: In connection with import duties and quotas and things of that sort I would say this: I think it is recognized that there is a place for those things, but that, in my judgment, isn't a cure. It may be you guide things along to those things which are just as easy, but I would say that this country, with its manufacturing potential, has got to live in the world. We have got to be able to help satisfy those voracious appetites mentioned here, with rising living standards in the world, which we hope will take place, where there is more opportunity to sell goods; and I don't think you can do that in the world, or I don't think the western world can do it satisfactorily by building up a great lot of barriers that prevent trade in the world.

As a matter of fact, where we have been successful in these last two or three years or so is in the fact that we have traded in the world. We have been trading in a market that is more favourable than today, but I would say, again, that I think it is very much a question of making ourselves competitive, of getting down to that point of efficiency,



1 recognizing this, that we cannot, for instance,
2 here in Ontario make 11 billion dollars of manufactured
3 goods and sell them and consume them ourselves. We
4 consume a very large part of it ourselves, but we
5 have got to do it somewhere else.

6 Now, these are my thoughts in the matter,
7 and I wish to thank Mr. Gathercole and those young
8 people who have assisted in this and who would be very
9 glad to discuss these matters with you. We would be
10 very glad to try and give you any help and
11 information that we have to dispose of.

12 I would say this, that I am most anxious
13 that the motor industry should build up employment and
14 that we should get it on a good solid basis, which
15 is a basis on which we are not now; and that is the
16 purpose of this Commission -- the fact that we aren't.

17 THE CHAIRMAN: Thank you very much, Mr. Frost.

18 Having heard a lot from the automobile
19 manufacturers, to whom I directed questions about the
20 variety of models, it is interesting to hear the
21 point of view of....

22 HON. MR. FROST: The barbershop?

23 THE CHAIRMAN: ...of the users -- the
24 barbershop. I don't want to get into an argument on
25 this, but it does seem to me that the imported cars
26 are selling the city and that it is our farmer friends
27 who are buying the big American cars.

28 HON. MR. FROST: I was up in my own north
29 country the other day -- and when I say "my own north
30



1 country" I mean the northern part of Victoria and
2 Haliburton, which is a very wonderful place; I say
3 that to these people who are looking for the outdoor
4 life; it is a great place -- and the man who guides
5 me a good deal -- I was very interested in the fact
6 that he had a small car. I asked him why, and the
7 reason he gave is that he was a half-farmer living
8 in the bush.

9 THE CHAIRMAN: Also, I should say that while
10 I have received from some half a dozen private
11 citizens, confidentially, copies of a particular
12 book, I am somewhat surprised that I have not been
13 presented with it in the Ontario brief. I refer
14 to the book 'The Insolent Chariots.

15 HON. MR. FROST: We might do that.

16 THE CHAIRMAN: I have got enough!

17 Now, I wonder if I could ask you one or
18 two questions. What I am interested in is your
19 political flair, not your economic knowledge --
20 although I know it isn't as small as you pretend.
21 I have been exploring with the Canadian producers
22 the possibilities of reduction of cost rather than
23 increase in price, and one of these explorations
24 leads into the possibility of greater integration with
25 the American -- the U.S. -- economy. That raises,
26 on the one hand, economic problems, and those I
27 shall explore further with manufacturers and
28 economists. It also raises problems of a political
29
30



1 nature, and there are some, at any rate, who would
2 be worried about the increasing political dependence
3 involved in any such arrangement.

4 Perhaps it is unfair to ask you to give
5 a considered view in connection with this, but I wonder
6 whether your instinctive reaction to this would be
7 one of encouragement or of worry?

8 HON. MR. FROST: You mean that in manner
9 of design and parts and all those things that we
10 would be more dependent on the United States? We
11 would be trying to make some arrangement by which
12 our parts manufacturers in particular had access to
13 the American market so that the present low-volume
14 production could be put on to a high-volume basis;
15 and, therefore, costs in real efficiency -- that is,
16 the sort of efficiency that isn't entirely under our
17 control -- would be greatly increased?

18 Well, perhaps I can answer your question in
19 a pretty general sort of way. First of all, I
20 think you can go to all sorts of extremes in talking
21 about the effect of certain relations with the
22 States. For instance, on Canadian independence,
23 myself I have never been too much afraid of that,
24 subject to certain things.

25 I do have a few thoughts about the American
26 people and the American way of doing things, and I
27 might voice a number of those things again here.
28 I think the United States has been thoughtless of
29 this country, and I think that the United States has
30



1 been thoughtless of other countries. If I might
2 just make this interjection, from the American
3 standpoint I think, myself, that is part of their
4 difficulty over there. I don't suppose Mr. Kennedy
5 or Mr. Nixon would hold this point of view, but I think
6 that is true. I think they have been thoughtless of
7 other people and other races. I think that they have
8 come in here with subsidiaries and haven't taken
9 part in the community and other life of the
10 provinces.

11 I think there are a lot of queries that
12 can be directed, but in the end, when you get down
13 to it, here we are in Canada with a great long
14 borderline, with 175 million people across that
15 line and about 18 million people here. Some of our
16 capital, you will find, is coming from the States.
17 After all, the United States in its formative years
18 got its capital from the U.K. and overseas, the only
19 difference being -- and it is an important point --
20 that they had about 3,000 miles of ocean between them.
21 We have only got an imaginary line -- that is, I
22 should like to say that it is an imaginary line.
23 We have got the line between us. There are a lot
24 of things that Canada is going to have to meet that
25 the United States didn't have to meet, or that
26 Australia didn't have to meet.

27 I think, sir, that it is a sensible line
28 you mention, to recognize the fact that our parts dealers
29
30



1 have a place in the sun and are not just to be
2 pushed around by some organization over in the
3 States. I am all for it, and I think our people
4 would be all for it.

5 AS a matter of fact, of course, we have got
6 to live with our "cousins" across the line. We have
7 got to live together as partners and in partnership,
8 and, inevitably, we are going to be partners; but I
9 don't think there is anything wrong in what you
10 suggest, and I would say this, that, partwise, I
11 think there are a lot of things that may be manufactured,
12 and I think it is part of the good neighbour
13 policy with our friends across the line that we
14 should do that. It may be, for instance, that cars --
15 Mr. Gathercole was mentioning this to me this
16 morning -- they might be manufactured in this
17 country; but, I mean, I think that is so. I would
18 say that I wouldn't be afraid to make a decent
19 neighbourly deal.

20 THE CHAIRMAN: Could I ask you this question --
21 and I am still relying on your political sense:
22 From all sides comes a plea that the excise tax be
23 withdrawn. This, of course, involves a problem of
24 the federal government which, as you know, has not...

25 HON. MR. FROST: I am trying to assert
26 that they have a lot of our revenue.

27 THE CHAIRMAN: If we are to try to persuade
28 them to give up this \$40 million to \$50 million it has
29
30



1 to be admitted as an improper tax. I take it that
2 that view, as it affects automobiles, would lead also
3 to the view that that particular tax on other
4 commodities was an unreasonable imposition.

5 HON. MR. FROST: That certainly is a leading
6 question. First of all, may I say this, that my
7 position on this at the present time is that I am
8 engaged in very delicate negotiations with the
9 federal government -- sometimes not so delicate --
10 in relation to the fact that I think they are using
11 a lot of taxes which properly belong to the provinces --
12 and I use the plural.

13
14
15 -

16
17 -

18
19 -



1 Now, you will understand this, that it is
2 delicate for me to answer questions relating to the
3 federal government reducing taxes. They will
4 properly say: "Mr. Frost, you come to us and you
5 ask back your taxing powers, and at the same time you
6 ask us to do something else." Now, that conference
7 meets tomorrow, and I don't want to put myself in a
8 delicate position there. But I would say this, that
9 if we had our own taxing powers which are ours, and
10 which we assert are ours, we would do our best with
11 them to stimulate business and industry. May I put it
12 that way, for one thing. Now, the second thing is
13 that as regards the matter of the excise tax of
14 15 per cent and which was reduced to $7\frac{1}{2}$ per cent, I
15 think all of these federal policies -- and I use
16 that term respectfully; I am suspicious of all
17 statesmen, I am in favour of politicians myself --
18 I think they have all made statements on that, and
19 perhaps you had better read their speeches on it.

20 THE CHAIRMAN: Now, I am getting beyond the
21 political, sir, but I think it is very much in your
22 field, because the Province of Ontario has a very
23 good record in terms of promotion and industrial
24 research. I have been trying to explore ways in which
25 more research, more engineering be done in this
26 industry in Canada. I am concerned not only with
27 the belief that we might come up with improvements
28 which would take us into world markets but also with
29
30



1 the view that it is keeping scientists and engineers
2 in our own country. What I am looking for is the
3 kind of inducementsthat can be offered. There is no
4 use saying you must do research; such research would
5 be badly done. Have you any thoughts on how we
6 encourage Canadians, secondary industry generally,
7 the automotive industry particularly, to do more
8 fundamental research?

9 HON. MR. FROST: Well, on the general
10 question you ask, I am all for it, of course, Again
11 there is the question as to how you compete against
12 American organization and American salaries and
13 that sort of thing. I recogniz this is a very
14 great problem.

15 Now, we do mention in this brief that
16 matter. We think it is of very high importance.
17 In research very probably lies the key or very much
18 of the key to the future of the world in which we
19 live. Now, I would say, sir, that we have to look
20 at this thing from a pretty broad standpoint. As
21 a university man you would agree with that. I
22 would say that what we have recognized is that it is
23 a very real problem, and the solution of it is the
24 freedom given to us. We have in the last dozen
25 years now extended, as you know, our universities
26 from three to a dozen. As a matter of fact, it
27 will exceed that. Some of the new universities --
28 take, for instance, Waterloo University which is
29 majoring in engineering. We are broadening the
30



1 place where we can reap the crop from them.

2 I would say that linking up the work of our
3 universities with industry therein is the place you
4 want the answer.

5 Now, as a matter of fact, I think Canadian
6 industry hasn't been altogether backward. I am
7 unable to give you the figures myself; perhaps the
8 Department of Economics can give you the figures
9 as to the extent of research in this country. We
10 have our Ontario Research Foundation, as you know.
11 I think myself that it could be very greatly
12 broadened. I have some ideas being advanced now,
13 persons connected with industry in that. It might
14 be that therein would lie part of the key to tie up
15 the work of our universities with industry.

16 Now, sir, again, as I say, our approach
17 here to that great problem has been a very broad
18 one. When you get into the refinements of it,
19 the refinements of it would be subject to a lot of
20 questioning on the part of industry and on the
21 part of universities and on the part of scientists
22 themselves. What we are doing, sir, is this: We
23 have broadened our opportunities immeasurably in
24 the university field; we are having a look at our
25 Research Foundation, because I think perhaps many
26 things we are doing there, our scheme of things,
27 are outmoded.

28 Now, as to other things I can only say this,
29
30



1 that when you get down to whether there should be a
2 certain research of facilities, for instance, in
3 some motor company or some other secondary industry,
4 that specific question, sir, is very difficult for
5 me to answer. I would say that I think it has
6 to come about by an evolution in thinking and
7 experience.

8 MR. GATHERCOLE: Particularly on the part
9 of American people.

10 HON. MR. FROST: You mean to say that the
11 American people want to do all the thinking for
12 us? They put out all the fins and the chrome for
13 our cars, and we would like to do a little thinking
14 for ourselves. Is that your point?

15 MR. GATHERCOLE: Yes.

16 HON. MR. FROST: I am in favour of that.

17 THE CHAIRMAN: One last question. I think
18 it should be directed to Mr. Gathercole; it is a
19 rather technical one. One interesting problem raised
20 by the brief of the province, which I don't think
21 has been raised in other briefs, is this problem of
22 the difficulty of the parts manufacturers in relation
23 to the release, the relationship of the parts
24 manufacturer to the automobile manufacturer in his
25 difficulties of getting a release early enough and of
26 being kept from the length of run I take it he
27 might have expected by the parcelling out of the
28 order. I don't quite understand it myself.
29
30



1 MR. GATHERCOLE: Mr. Chairman, the
2 representations were made to us by the automotive
3 parts industry that this was one of their difficulties,
4 and it seemed to us to represent, if it existed (and
5 we believe it does) one of the problems. They don't
6 seem to have a clear idea where to go in relation to
7 production, and they have to feel their way in
8 being given a given quantity to manufacture and
9 proceed with that. In other words, they are subject
10 to the number of vehicles that can be sold, and they
11 may be able to reduce their unit costs by reason
12 of having a larger order than the initial order
13 called for.

14 HON. MR. FROST: I would say that this arose
15 from the fact that the parts came to us. Now, I
16 hope they are coming to you.

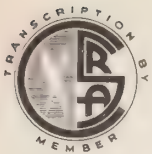
17 THE CHAIRMAN: They are coming here.

18 What I wondered was whether you had, as a
19 result of investigating this, any thoughts on
20 action that should be taken.

21 MR. GATHERCOLE: No; we recognize that it is
22 quite a difficult problem. You can understand that
23 the vehicle manufacturers themselves are not certain
24 of the number of units they can produce during the
25 season.

26 THE CHAIRMAN: I think that is all, sir.

27 I shall recess until 11 o'clock, at which time
28 Studebaker Packard will present their submission.
29
30



1
2 THE CHAIRMAN: Mr. Grundy of Studebaker-
3 Packard.

4 SUBMISSION OF
5 STUDEBAKER-PACKARD OF CANADA, LTD.

6 PRESENT:

7 Gordon E. Grundy

8
9 MR. GRUNDY: Well, Mr. Commissioner, the
10 other automobile manufacturers and the Prime Minister
11 have really left me very little to say, but I do
12 appreciate this opportunity to give you Studebaker-
13 Packard's views, and I think first of all you
14 should know that this year we are celebrating the
15 50th anniversary of the commencement of our manu-
16 facturing operations in Canada, and we are looking
17 forward, I feel, with confidence to the next fifty
18 years.

19 We are proud of our contribution to
20 Canada's economy over those years. In the last
21 12 years alone we have paid out in salaries and
22 wages to our employees some \$35 million and, of
23 course, many, many more millions in the form of
24 materials purchased by us in Canada.

25 Now, with reference to those people who
26 discussed the sales and excise tax, we have remitted
27 to the federal Government in the last 12 years close
28 to \$37 million.
29
30



1
2
3 Now, I don't propose to touch on all of the
4 points which we have made ; in our brief, but I would
5 like to highlight just a few of them. We have
6 covered in some detail in our presentation to you
7 the seriousness of what we consider unfair com-
8 petition from British and European imports. The
9 price advantage enjoyed by those imports, although
10 reduced to some extent by the action recently
11 taken by the Government, is still substantial.

12 The present situation, with import
13 competition concentrated in the field of the little
14 or small car, is serious enough, but what is really
15 frightening is the possibility that manufacturers,
16 particularly those based in or who may move to the
17 United Kingdom with duty-free privileges, will take
18 advantage of Canada's open door policy to turn their
19 talents and huge production resources to the manu-
20 facturer of North American-type cars. Such a
21 move, coupled with no change in Canada's present
22 policy, could well mean virtually the complete
23 elimination of Canada's automobile manufacturing
24 industry in time.

25 We appreciate that the Government cannot be
26 expected to solve and correct all our problems. We
27 realize that there is a very considerable respon-
28 sibility resting on industry, on labour and on the
29
30



1
2 public.

3 For our part, apropos of the Prime Minister's
4 remarks this morning, we at Studebaker recongized
5 some three or four years ago that there was a growing
6 demand for the smaller, more economical-type car.

7 We therefore engineered and introduced our Lark,
8 the first compact car to be produced in Canada.

9 Our object was to produce a functional car; to
10 retain the interior roominess, quality and comfort
11 of the larger car, and at the same time to achieve
12 the economy of operation and ease of handling
13 found in the smaller car. To this we added
14 permanence of design in order to avoid the cost
15 of unnecessary obsolescence and depreciation.

16 While sales increased and we have enjoyed some
17 success, it is not nearly to the extent we should
18 have. Although we had priced the car realistically,
19 our prices were still too far above the bargain
20 prices which the imports were and are being sold.

21 For our part, we have always maintained
22 the lowest possible prices in this highly competitive
23 market and we have done our utmost to keep the costs
24 of material and labour in line. By the develop-
25 ment of new techniques, we have kept productivity
26 at a reasonably good level, and we will continue
27 to do everything we can to operate our business as
28
29
30



1
2 efficiently and as economically as possible and give
3 the public the best possible product at the lowest
4 possible price.

5 At the same time, the public must recognize
6 that if it wants a high standard of living, it must
7 be prepared to support its own manufacturing
8 industries. It seems a paradox for Canadians to
9 insist on the one hand on a high level of income,
10 and yet on the other hand to have the privilege
11 of buying at low prices, the products of high
12 volume-low wage countries. Inevitably the Canadian
13 industries producing similar products will disappear
14 as will the jobs of thousands. There is no
15 evidence that our economy could absorb those ~~workers~~
16 profitably. They, no doubt, would add to the
17 already serious number of unemployed, and lower
18 our overall standard of living. We feel, too,
19 that labour must adopt a more understanding and
20 co-operative attitude with regard to the attainment
21 of greater productivity by the workers, and the
22 acceptance of wage rates and benefits at levels
23 which are in keeping with our economy.

24 We agree with the recommendations referred
25 to in the brief submitted on behalf of the industry
26 by the Canadian Automobile Chamber of Commerce, and
27 that is with respect to the removal of the Federal
28
29
30



1
2 Excise Tax and the elimination of certain anomalies
3 or inequities as between domestic and imported cars
4 which exists in our tax structure. I will not
5 go into any detail on those points; I think we are
6 all familiar with them. The Government has already
7 taken steps to correct the value on which duty and
8 taxes are calculated and this, of course, will be
9 of help, but it is by no means the full answer.

10 We feel very strongly that the Government
11 should take immediate steps to induce and at the
12 same time to make it as attractive as possible for
13 foreign automobile manufacturers to set up operations
14 in Canada. We hesitate to suggest whether this
15 be done by tariff changes, quotas, or by other
16 methods currently in use by many other countries
17 in the world in their efforts to support their
18 secondary industries. The methods to be used will
19 require very careful study. In any event, Studebaker,
20 with its relatively low volume, can operate success-
21 fully in Canada in competition with the Big Three,
22 then certainly it should be possible for other manu-
23 facturers with as large or larger volumes to set up
24 economical operations in Canada. We would welcome
25 that kind of competition, sir, which would mean more
26 employment in Canada and a stronger Canadian auto-
27 motive industry.



1 THE CHAIRMAN: Thank you very much, Mr.
2 Grundy. I would like to ask a few questions, and
3 these will follow to some extent the line of
4 questioning yesterday. I was interested to read
5 on page 3 of your brief that in buying parts you
6 enjoy much the same pricing from the Canadian
7 suppliers as do the big three unless special tooling
8 is required. I suppose what you are explaining there
9 is that though your assembly operation is small
10 your costs depend on the size of the industry as
11 a whole in Canada?

12 MR. GRUNDY: Yes, I do not think we suffer
13 too great a disadvantage as a result of our size.
14 That is evident in our pricing policy where we
15 are able to price our product competitively with
16 other manufacturers. We preserve the same -- in
17 fact, sometimes we have a little bit of an edge on
18 them as compared to the set-up, say, in the United
19 States.

20 THE CHAIRMAN: And your your run is very
21 small?

22 MR. GRUNDY: It is, indeed.

23 THE CHAIRMAN: And most of the time I am
24 being told about the disadvantages of low volume and
25 the high costs imposed thereby. Does this mean
26 the wool is being pulled over my eyes, or have you
27 a trick we have not yet discovered?
28
29
30



1 MR. GRUNDY: We are at the same time
2 flexible. We are not burdened with great overhead.
3 We are able to move quickly. We enjoy much the
4 same advantages as they do in buying. We enjoy the
5 mass buying ability of our parent company in so
6 far as those parts that we must procure in the United
7 States is concerned. In so far as those parts
8 made in Canada are concerned, in many cases they
9 are similar to the parts bought by the larger manu-
10 facturers.

11 In so far as our factory operation is
12 concerned, although we have not as much automation
13 as the larger companies have, I feel that our
14 productivity is high, and I do not think the
15 Canadian content of our cars is very much different
16 from that of the big three.

17 THE CHAIRMAN: If we succeeded in your
18 policy of bringing the other foreign producers into
19 Canada do you think this would do anything to costs?

20 MR. GRUNDY: I think it would have the
21 effect of lowering all of our costs.

22 THE CHAIRMAN: The things that you buy?

23 MR. GRUNDY: Definitely. I think, as I
24 said, it would be a great help. It would make a
25 stronger Canadian automobile industry.

26 THE CHAIRMAN: And it is more important
27
28
29
30



1
2 than the fragmentation of the market, which some of
3 us worry about when we see --

4 MR. GRUNDY: There will be those that
5 fall by the wayside. I do not think they would all
6 survive, but the stronger --

7 THE CHAIRMAN: Having got fragmentation
8 you then discard some of the fragments?

9 MR. GRUNDY: That is right

10 THE CHAIRMAN: Having in mind this buying,
11 one of our problems is to see how far the great
12 variety of design and requirements not only
13 within each company but as between the five, in
14 itself fragments the market for the parts producer.
15 Is there some deliberate standardization or some
16 deliberate use by you of design which is related
17 to the design of the bigger buyers that enables
18 you to buy as well as you do, or is this just --

19 MR. GRUNDY: No, because most of the parts
20 procurable in Canada are those of a mechanical
21 nature, quite apart from the exterior appearance
22 of the car. Certainly, we effect savings by retaining
23 that exterior, as I have pointed out, over two,
24 three or four years, but the parts I think you
25 are referring to are those which are more or less
26 common to others -- parts such as batteries, tires,
27 axles, wheels and what have you.

... to the ...

... which ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...

... of the ...



1 THE CHAIRMAN: And you are able to buy
2 these cheaply because they are produced in a large
3 quantity for you and the rest of the industry?

4 MR. GRUNDY: That is right.

5 THE CHAIRMAN: We have talked about value
6 for duty. You have indicated this has made some
7 improvement. As I read the Globe and Mail this
8 morning I see that the press is changing its views
9 as to how much difference this makes. You still
10 do not think this has made enough?

11 MR. GRUNDY: Well, probably I should
12 not have commented so much on it.

13 THE CHAIRMAN: I want you to.

14 MR. GRUNDY: Not being an importer and
15 not having access to their records and pricing
16 policies I really --

17 THE CHAIRMAN: That is not the point I
18 have in mind. You have the Lark. What is the price
19 of the biggest Lark?

20 MR. GRUNDY: I think we announced a
21 suggested factory retail price delivered at Hamilton
22 of \$2,382 the other day on our 1961 line.

23 THE CHAIRMAN: Would you be prepared
24 to suggest which model of imported cars, or which
25 two or three models, were the severest model
26 competitors?

27 MR. GRUNDY: No, I do not think I would be
28
29
30



1 prepared to answer that. Quite honestly, I do not
2 think I could give you a proper answer to that.

3 THE CHAIRMAN: Let us put it in another
4 way. This may be a little unfair, but surely the
5 success of the Lark, in relation to the problem you
6 have presented to us, and the difference between it
7 and the imported cars that have been bought, is
8 significant?

9 MR. GRUNDY: Yes.

10 THE CHAIRMAN: And of the imported cars
11 \$1,900 would be the figure of the sort of the price
12 at which the competitive car could be bought?

13 MR. GRUNDY: I think if you analyze the
14 imported car market you will find that a very,
15 very high percentage of the market is in the lower
16 priced cars, such as the Vauxhalls, the Volkswagens
17 and the Renaults, and what have you, which are all
18 in the \$1,600 or \$1,700 area. The number of the
19 more expensive cars such as the Rolls-Royce --

20 THE CHAIRMAN: We are not talking about
21 the Rolls-Royce; we are talking about Victor Supers.

22 MR. GRUNDY: Yes, the luxury line. They
23 are admittedly much closer to ourselves price-wise,
24 but there is very little volume, I think. I think
25 if you analyze it you will find there is not very
26 much competition from that area. The competition
27 is concentrated in the area of the still lower priced
28
29
30



1 cars.

- 152 -

2 THE CHAIRMAN: Well, 40 per cent of the
3 English imports are from Vauxhall.

4 MR. GRUNDY: Yes. I compared our Lark
5 with the Vauxhall Victor Super. That is the
6 bottom of their line, but it is their big seller,
7 and there is a difference of \$654 in price.

8 THE CHAIRMAN: There was?

9 MR. GRUNDY: Yes. I do not know what it
10 is now.

11 THE CHAIRMAN: What I am asking you is
12 what narrowing of that seems to you to be necessary
13 in order that you may, in the phrase of yesterday,
14 begin to smile all the time? I notice you smile
15 quite a lot.

16 MR. GRUNDY: That is something I would
17 have to study pretty closely. I think all I
18 can say is that probably substantially more than
19 would already be indicated by this change in the
20 valuation for duty.

21 THE CHAIRMAN: Could it be done by pricing
22 or by a quota?

23 MR. GRUNDY: That is going to take a lot
24 of study. I would not want to see cars shut out
25 on a quota basis. What I would like to see is
26 those cars produced and manufactured under a
27 similar set-up and similar conditions as we
28 are faced with. It will then be fair competition,
29
30



7 1
2
3 and whatever price results from that I will not
4 worry about. I will not say another word.

5 THE CHAIRMAN: But you have not any idea
6 as to how much more they will have to get -- how
7 much the price will have to be put up in general
8 so that they would be induced to enter?

9 MR. GRUNDY: I will give some serious
10 thought to that. I am not prepared to give you an
11 answer across the table at the moment, but I
12 will certainly try to get that to you.

13 THE CHAIRMAN: Have you thought at all
14 about any of these schemes of integration with the
15 American States?

16 MR. GRUNDY: I think they are most in-
17 triguing. I am by no means satisfied with our
18 present set-up, and probably in exploring this
19 integration field we will find means, at least,
20 of improving what we have now.

21 THE CHAIRMAN: Are there things that
22 you can do at present in order to supply the Studebaker
23 plant in the United States --

24 MR. GRUNDY: I am sure there must be. We
25 have supplied our parent company in the past in
26 times of strikes and shortages on the other side
27 quite successfully, and at costs not too much out
28 of the way. Of course, there is an import duty
29
30



1
2 imposed by the United States on these things, and
3 one of the big troubles we are faced with there is
4 the United States' own valuation for duty. It
5 has been a very, very difficult and complex thing
6 to do.

7 THE CHAIRMAN: And not always as generous
8 as ours was to England. We have to offer a quid
9 pro quo, and free entry of the Studebaker-Packard
10 models that you do not assemble here, or that
11 you would not then assemble here. Would this
12 seem to be an attractive quid?

13 MR. GRUNDY: I do not go into ecstasies
14 at the thought. As I say, I think there are
15 distinct possibilities.

16 THE CHAIRMAN: How many types of car
17 does your company sell in Canada as compared with
18 the number it manufactures?

19 MR. GRUNDY: We only sell one additional
20 model, and that is a soft top convertible. That
21 is the only car we import from the United States,
22 and that is a very, very low volume car. We do
23 import from our parent company the full line of
24 trucks, and I hope one of these days to be able
25 to develop enough volume in order to be able to get
26 into it here.

27 THE CHAIRMAN: How many models do you make
28
29
30



1
2 in Canada, then?

3 MR. GRUNDY: Five basic body styles,
4 and then if you multiply that by the engines it comes
5 to 14. If you take the engines, and the
6 standard and delux versions, I think our full
7 line is 14. That is the irreducible minimum.

8 THE CHAIRMAN: Supposing you are able to
9 concentrate on a narrower line here because you
10 were able to ship in the others free of duty --

11 MR. GRUNDY: It would be a great help in
12 regard to material handling within the plant. Our
13 plant would become more efficient, certainly, and
14 we would be in a better position to buy some parts,
15 but not too many. The saving would not be as
16 substantial as you might think.

17 THE CHAIRMAN: I asked yesterday one or
18 two questions about the volume that makes a manu-
19 facturer smile. You have enough volume already,
20 have you?

21 MR. GRUNDY: By no means. We could keep --

22 THE CHAIRMAN: What is the volume, do you
23 think, that makes an individual operation viable?

24 MR. GRUNDY: It will vary with every
25 operation. We know what our break-even point is --
26 the point where it no longer becomes worth while
27 manufacturing in Canada.

28
29
30



1

2 THE CHAIRMAN: But you are beyond that?

3 MR. GRUNDY: We are a little bit beyond
4 that.

5 THE CHAIRMAN: So quite a small volume
6 is feasible?

7 MR. GRUNDY: Oh, absolutely. It depends
8 entirely, of course, on the tariff structure,
9 content requirements, and every other thing.

10 THE CHAIRMAN: When we get to content
11 requirements and the tariff structure, is the tariff
12 on parts a burden to you?

13 MR. GRUNDY: It is in some respects,
14 particularly on those parts where because of very
15 low volume we just cannot buy them in Canada. We
16 cannot get a vendor to tool up and produce them
17 at very low volume, but then, we still find it
18 difficult to get a "made in Canada" ruling; that is,
19 we are assessed duty on the part whether or not
20 it is obtainable in Canada, and we wind up paying,
21 probably, quite a high premium.

22 THE CHAIRMAN: These are the parts in what
23 is referred to as the "basket" items?

24 MR. GRUNDY: You are ahead of me there.

25 THE CHAIRMAN: I am not sure that I am.
26 This tariff business is not an easy one to get
27 straight. The content provision in your volume
28
29
30



1
2 is 40 per cent?

3 MR. GRUNDY: Yes. It depends on the model,
4 and, of course, as has been explained to you before,
5 whether or not a particular model has an automatic
6 transmission in it, and that sort of thing, but on
7 our standard cars we obtain very much more than 40
8 per cent. We are, in fact, in some cases closer
9 to 60 per cent.

10 THE CHAIRMAN: So you do not think in
11 attracting and starting low volume producers there
12 is any need to go below the 40 per cent?

13 MR. GRUNDY: Wait a minute. I think I
14 should give some thought to that because it may be --
15 as I said before, it should be made as attractive
16 as possible for these manufacturers to set up
17 operations in Canada, and it may be that during
18 the initial stages you may want to strike a some-
19 what lower content.

20 THE CHAIRMAN: Maybe set a period during
21 which the 40 per cent must be reached rather than
22 gearing the percentage to the volume of production?

23 MR. GRUNDY: Yes, I think that is
24 covered by what I said. The whole matter is so
25 complex that it requires a lot of study.

26 THE CHAIRMAN: I am not quite sure where
27 this fits into your brief, but it must have been
28
29
30



1 suggested by something I read; has the dollar
2 premium been a nuisance to you?

3 MR. GRUNDY: No, I do not think it has been
4 too important one way or another.

5 THE CHAIRMAN: It helps your import com-
6 petitors. I was wondering whether it made a difficulty
7 for you in the import of your parts whether it is
8 an extra burden that tries you.

9 MR. GRUNDY: No. We do not protect our
10 position by buying futures, or anything of that
11 nature, and it bothers us only to the extent that
12 there may be violent fluctuations in the exchange
13 rate which we have not anticipated in our costing
14 and pricing. That is where we experience difficulty.

15 THE CHAIRMAN: Mr. Grundy, I think that
16 is all I want to ask you. I may, as you know,
17 want to talk more and get more understanding,
18 and I do want to go and visit your plant.

19 MR. GRUNDY: We would like you to see it,
20 sir. We will be at your service.
21
22
23
24
25
26
27
28
29
30



1
2 SUBMISSION OF
3 AMERICAN MOTORS (CANADA) LIMITED

4 PRESENT:

5 Earl K. Brownridge - Vice President and
6 General Manager.

7 MR. BROWNRIDGE: Mr. Commissioner and
8 ladies and gentlemen, the American Motors (Canada)
9 Limited position is stated generally in our brief
10 filed with the Commission.

11 I would like only to introduce it with
12 some limited prefatory remarks, and to answer any
13 questions I can.

14 Our feeling is that the United States and
15 Canada - and all of the nations of the free world -
16 should profoundly examine the interests they have
17 in common, and that they should undertake to find
18 the soundest means of laying a foundation for the
19 kind of world trade relations that will permit all
20 countries to enjoy maximum economic growth.

21 Ultimately, we believe, the only real
22 avenue for this is the open approach to world trade.
23 Realistically, however, it must be recognized that
24 we Canadians will succeed in our long-range objectives
25 only if we have the internal strength as well as the
26 desire to do so.

27 This is why, in our brief, we have suggested
28 consideration of both the short and the long range.
29
30



1 Both approaches contemplate the utmost consideration
2 for the economic growth of all nations. The former
3 is "protectionist" in the conventional sense; the
4 latter is "protectionist" also, but in a broader
5 sense of encouraging mutual growth by wedding co-
6 operative effort with competitive effort.
7

8 Canada has a problem that requires
9 immediate action, and we have suggested possible
10 immediate solutions for study. We have limited our-
11 selves to the automotive area, since we felt that
12 was what was asked of us, but we do not want this
13 limitation to imply special consideration alone for
14 the automobile industry.

15 Although an expedient is needed, we cannot
16 see that our suggestions for immediate action offer
17 more than an expedient. A fundamental part of
18 the Canadian problem is the relatively small size
19 of the market, which does not permit taking full ad-
20 vantage of the economies of mass production. Any
21 long-range solution must take this fact into
22 account.

23 Looking to the future, we feel that the day
24 has passed when any nation can work independent of
25 its neighbours. Economic nationalism will become
26 as suicidal in the future as servile acquiescence
27 to external economic power might be today.

28 Canada's position, as we see it, is that
29
30



1
2 there are at present 30 per cent, or approximately
3 130,000 British and European cars imported into
4 Canada annually. Of this figure, 80 per cent, or
5 104,000 units, are being imported by four different
6 companies, two of which companies have no manufacturing
7 facilities in Canada.

8 We believe that it should be accepted that
9 secondary manufacturing is necessary to the growth
10 of Canada. We believe that this should be
11 recognized by industry as it has been by the
12 Government.

13
14
15 -
16
17
18
19 -
20
21
22 -
23
24
25
26 -
27
28
29
30



We believe that every nation in the free world should have an opportunity to do business in Canada, but we also believe that when their sales in Canada approach a point of economical manufacture that these companies should step up to their responsibilities to Canada and commence Canadian manufacture.

In 1958, when it became apparent that the compact Rambler concept was assured of major success in the automobile business, we took steps to re-activate Canadian manufacture.

American Motors (Canada) Limited is constructing one of the world's most modern automobile plants, near Brampton, Ontario. The 250,000 square feet plant will be completed by the end of 1960. Assembly of Rambler cars there is expected to begin early in 1961. Approximately 500 persons will be employed when full production is reached.

The new facility will be capable of turning out 16,000 units a year. Plans for 1961 call for the production in Canada of 10,000 cars and the import from the American Motors plant in Kenosha, Wisconsin, of an additional 6,000 units. The following year will see a further decrease in these import figures.

We are convinced that our resumption of



1
2
3 manufacturing in Canada will be best for the Canadian
4 economy and best for us in the long run.

5 In the light of contrary conditions that
6 now exist, it appears there is a definite need for
7 the Government to take action in the interests of
8 Canada's economic future.

9 The fact is that while we do have an auto-
10 mobile industry in Canada, and parts manufacturing
11 companies to service that industry, all are on a de-
12 clining rate of employment.

13 Our expectation is that the Government is
14 now in such a position that it will take action to
15 protect the Canadian industry.

16 Our suggestions may be summed up in the
17 following manner:

- 18 (a) Eliminate the concept of British
19 Commonwealth content and substitute
20 Canadian content in the determination of
21 domestic manufacturers.
- 22 (b) Change existing legislation to make the
23 Sales and Excise Taxes payable on dealer
24 cost less 10 per cent. The present
25 practice is that Sales and Excise Taxes
26 are payable on duty paid value on imports
27 and on dealer costs on manufactured
28 products - a penalty on Canadian manu-
29 facture.
30



(c) When a Canadian manufacturer meets Canadian content requirements, the 7-1/2 per cent Excise Tax should be dropped.

(d) Review of the existing automotive tariff schedule looking toward elimination of the present Commonwealth preferential treatment when possible.

As also stated in our brief, the end result of this would be that the Canadian consumer will be paying less for Canadian-built automobiles. The Government will get less revenue from Excise Tax, but in return they will get more secondary industry and, in consequence, more corporation and personal income tax and more employment. They will not be increasing tariffs on imported vehicles.

Turning to the long range, we have offered for consideration along with other plans, a suggestion for the development of a co-operative production bridge between countries, similar to the production-sharing concept now practiced between the United States and Canada.

Essentially, the idea is based on certain convictions. One is that the nations of the free world must work together to increase their individual and mutual economic strength. Another is that there is



1
2
3 an adequate development of basic production skills
4 and facilities in many countries, and that this
5 development is inhibited by restrictions that tend
6 to force concentration on the relatively simple
7 techniques of final assembly.

8 The proposal may be summarized as follows:

9 The effect tariff-free exchange of pro-
10 duction between foreign and domestic companies
11 limited to equal national content values
12 flowing in each direction. This would
13 develop local industry basically and practically,
14 rather than artificially. Because such a
15 system would be self-controlled by the flow
16 between companies and countries, it would
17 build economic strength equally on either
18 side of the border. It would extend to
19 the consumer in each country the advantages
20 of increased volume which include lower
21 costs, lower prices, greater sales, greater
22 employment, and greater development of in-
23 dustrial and other skills.

24 We are in the preliminary stages of ex-
25 ploring this idea as it might apply to many countries.
26 We believe it deserves study, and we would be glad
27 to co-operate in its exploration.

28 Since it is this Commission itself that
29 will determine its objectives and the appropriate
30



1
2
3 recommendations, our suggestions necessarily must
4 have the limited view of a single corporation, and we
5 must naturally leave the assumption they have no
6 finality to them but are tendered to help provide an
7 aggregate of opinion and information.

8 THE CHAIRMAN: Thank you very much, Mr.
9 Brownridge.

10 In your brief you made reference to some
11 arrangements between Norway and Sweden. I think
12 I asked you at an earlier stage if you could amplify
13 this?

14 MR. BROWNRIDGE: Well, I will read a little
15 brief as to the amount of information I have on it.

16 Since the war Norway has controlled auto-
17 mobile imports by means of very strict import
18 restrictions. In 1957, Volvo a Swedish automobile
19 manufacturer, obtained extra licence to export
20 autos to Norway if in return they were to obtain
21 components from Norway in equivalent amounts to
22 the automobiles supplied. Volvo immediately began
23 such a programme, obtaining such components as
24 batteries, tires, seats, doorhandles and other
25 interior parts. The values of these components
26 were as follows: In 1957, \$12,000; in 1958, \$1,200,000;
27 in 1959, \$1,800,000; and in 1960, \$2,800,000 (ex-
28 pected).
29
30



1
2
3
4 The Swedish automobile imports (mainly
5 Volvo) into Norway and the United States imports during
6 these years were as follows: In 1956, 573 from
7 Sweden and 386 from the United States; and in 1957,
8 3,339 from Sweden and 389 from the United States;
9 in 1958, 4,221 from Sweden and 254 from the United
10 States; and in 1959, 3,809 from Sweden and 110
11 from the United States.

12 As will be noted from the above table,
13 Norway's use of Sweden's autos increased markedly
14 during this period because of this arrangement,
15 whereas the use of U.S. produced cars declined
16 considerably.

17 THE CHAIRMAN: You will have gathered
18 from yesterday's discussion that I am very much in-
19 terested in the possibility of some such scheme.
20 I have been thinking of this rather in terms
21 of companies rather than countries.

22 Suppose you were to think of your own
23 company and your parent in the United States, do
24 you see possibilities of an arrangement of this
25 sort which would be cost-reducing in Canada?

26 MR. BROWNRIDGE: As I understand it, sir,
27 you went even further, to the effect that you would
28 like to have such an arrangement without having
29 to ask any concessions from the American Government.

30 On our studies to date -- you have more



1
2
3 information, obviously, than we have -- we cannot find
4 the components. We know of very few components
5 that you have manufactured in Canada and imported
6 into the United States and supplied to the American
7 automobile companies at prices competitive to
8 the American supplier. We know of very few; and
9 I think you would have the difficulty of not having
10 the large dollar volume that you would require in
11 order to allow automobiles to come in free.

12 THE CHAIRMAN: Mr. Brownridge, you are
13 an engineer and I am not so I am at a disadvantage
14 in arguing, but I have to try and probe. If the
15 automobile parts manufacturer is at present pro-
16 ducing on a scale appropriate to our limited
17 market his costs are high?

18 MR. BROWNRIDGE: That is right.

19 THE CHAIRMAN: The question is not
20 whether he, operating on that scale, could produce
21 cheaply enough to jump the tariff...

22 MR. BROWNRIDGE: I know.

23 THE CHAIRMAN: ... but whether he could,
24 operating on a continental scale, produce cheaply
25 enough to come near jumping the tariff?

26 MR. BROWNRIDGE: I am speaking on the
27 continental scale. The few items I do know --
28 there is hard board. If it reached the volume and
29 some of the hard board was sold into the United
30



1
2
3 States it could compete against American suppliers.
4 I know of some forgings that are being supplied
5 and the duty is being paid; and I understand that
6 cloth, in terms of automobiles, is another item;
7 but the quantities that would be required would
8 not be, in my opinion, sufficient to meet the
9 import.

10 THE CHAIRMAN: The next stage. Wouldn't
11 your American company take into account the fact
12 that it was then getting free entry for its cars?
13 It could afford to pay a little more for some of
14 these parts if it was also getting exemption
15 from the duty on its finished car?

16 MR. BROWNRIDGE: The President of my
17 American company is a visionary, to say the least,
18 and he is a man who is doubly concerned with the
19 future not only of Canada's economic future,
20 but also the future of the North American continent;
21 and this President that I speak of -- Mr. Romney --
22 is very outspoken in his own country and in relation
23 to what may be a different approach that has to
24 be taken by his own country in dealing with other
25 countries in the world and the give-away programs
26 and things like that. I would say that he would
27 certainly be prepared to study and see what possibility
28 could be produced which would be in the interests
29 of both countries.
30



1
2
3 THE CHAIRMAN: There is a wage advantage
4 in Canada, isn't there?

5 MR. BROWNRIDGE: There is now.

6 THE CHAIRMAN: Would that not indicate
7 that it is possible, with equal volume, to come
8 near ...

9 MR. BROWNRIDGE: I am one of those who
10 believe that the Canadian is just as efficient
11 as the American...

12 THE CHAIRMAN: You pay him less.

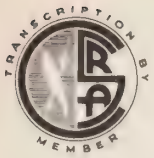
13 MR. BROWNRIDGE: ... and if you get equal
14 volume in this country it will show in the price
15 of the product and what you pay him in wages.

16 THE CHAIRMAN: This makes the tariff a
17 little less worry; it will make it that much
18 easier. If we got the United States to drop the
19 tax...

20 MR. BROWNRIDGE: We have all had the
21 experience that there needs to be a difference in
22 wage if they are going to pay a tariff.

23 THE CHAIRMAN: You are talking of volumes
24 that are much smaller than the volumes we were dis-
25 cussing yesterday. What do you consider the volume
26 which makes your operations smile-raising?

27 MR. BROWNRIDGE: Well, I would like to
28 start this remark by saying that Mr. Romney, appearing
29 before the Kefauver Committee in the States, made
30



1
2
3
4 the statement that up to 200,000 production there
5 are gains to be made in volume, and above 200,000
6 there are very few to be made.

7 We, in Canada, are not talking of these
8 volumes.

9 I would like also to say that Mr. Grundy,
10 who appeared before me, has the sort of operation
11 in Canada that has been in Canada for 60 years,
12 and it is different from the function we have
13 in starting up production. Added to our particular
14 problem here is the fact that we are not producing
15 automobiles for the complete model year. Our
16 production will start in January, and, as you
17 know, our model year ends in August. We will
18 likely experience some difficulty in arriving at
19 the 40 per cent Canadian content in this particular
20 year; but we believe, knowing the price structure,
21 that at 10,000 volume cars produced we can produce
22 these automobiles and remain competitive and
23 continue on the upward sales trend we are on.

24 THE CHAIRMAN: Now I ask you another
25 annoying question, but one which, I think, you
26 have almost suggested to me in earlier discussion.
27 Why didn't you locate in Glasgow?

28 MR. BROWNRIDGE: Well, that remark was
29 made by Mr. Todgham yesterday, and the fact that
30 there is something to be gained by pricing, if you



1
2
3 like, anything out of Canada and locating in
4 Scotland -- as we have said in our brief, we are
5 not just talking about the automobile industry.
6 This very thing has happened to Canada today in the
7 field of diesel manufacture; and there is concern
8 that it has protected its sales advantage in
9 Canada, that it enjoyed for many years, by locating
10 in Scotland. We are here for the purpose of looking
11 after Canadian industry, and part of the problem is
12 the circumstance that makes it possible for people
13 to go somewhere else in order to build more
14 economically.
15
16
17 -
18
19
20 -
21
22
23 -
24
25
26
27 -
28
29
30



1
2 THE CHAIRMAN: In your brief you have
3 admitted the importance of changing the content
4 requirement from "Commonwealth" to "Canadian".

5 MR. BROWNRIDGE: Yes.

6 THE CHAIRMAN: This is forward-looking,
7 rather? At the moment, this doesn't matter, but
8 this is a worry about something that might happen?

9 MR. BROWNRIDGE: That is because I believe
10 we are talking about the economy problems of Canada;
11 and if we are going to make legislation changes
12 let us look after whatever legislation changes are
13 necessary for the future of Canada. But I am not
14 that well informed to advance an opinion.

15 THE CHAIRMAN: Can I ask you this question?
16 I doubt if I will get a much better answer than I
17 did before, but I take it that your essential
18 problem is the relation between your price and the
19 price of the importers that are most nearly
20 competitive?

21 MR. BROWNRIDGE: We consider that our
22 competition is the North American automobile, primarily.

23
24 -

25 -

26
27 -

28

29

30

ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 174 -

1 THE CHAIRMAN: But all of you, not you,
2 American Motors, but all of you are, in fact, in a
3 position where the next problem is the gap between
4 you and not only the cheap cars but the most nearly
5 competitive cars.

6 MR. BROWNRIDGE: Yes.

7 THE CHAIRMAN: How much of this gap has
8 to be narrowed in order to make a significant
9 difference?

10 MR. BROWNRIDGE: The gap that the game is
11 played with the same rules that manufacturers have
12 in investing capital in Canada. I have been outspoken
13 in my brief in the fact that I am not suggesting
14 that all automobiles are sold in Canada. I think
15 Canada is a very difficult country to sell motor cars
16 in. But I feel that when a company has the ability
17 and opportunity to do so, and the product is accepted
18 by the Canadian people, and they don't step up to
19 the opportunity, Canada and the government must take
20 action to see that they do; and I limit my
21 recommendations in relation to the excise tax
22 removal for an inducement. It seems nobody is going
23 to move from Scotland or England under the existing
24 legislation, and I think there should be an inducement
25 to put these people back in the country where they are
26 needed.

27 THE CHAIRMAN: There is a great big inducement
28 just been introduced. I am interested in how nearly
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 175 -

1 this would be big enough, or are you asking for an
2 addition?

3 MR. BROWNRIDGE: I hope you don't think I am
4 ducking this question. But the facts are that we
5 are selling, and when we had 7,000 automobiles of sales
6 we took steps in Canada, and when our figure of sales
7 was 10,000 automobiles we took steps to manufacture
8 in Canada, and I think in the first few years it was
9 a profitable move for the American organization. But
10 it is what is in the best interests of the long
11 term growth of the country. There are other companies
12 which are selling $2\frac{1}{2}$ to 3 times as American Motors
13 are, and I believe it is the government's intention
14 at this time to see that people move into Canada
15 and compete in the same rules as the rest of us.

16 THE CHAIRMAN: One thing that worries me
17 is this. Suppose these rules are protected, this
18 keeps out the competition of lower-priced cars,
19 gives you higher volume, gives you a possibility of
20 lowered costs. Have we really any hope that it
21 also means lower prices?

22 MR. BROWNRIDGE: You mean --

23 THE CHAIRMAN: Lower prices.

24 MR. BROWNRIDGE: I am not one who says that if
25 Vauxhall and Volkswagen are made in Canada they will
26 be sold at the same price they are now. There will
27 be an increase in prices.

28 THE CHAIRMAN: You are saying if we had more
29 volume in Canada costs would be higher. We might pay
30



ANGUS. STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

more for a Vauxhall, but we might pay less for a Rambler. A pedestrian isn't concerned, but Miss Leitch, who depends on a car, will get her car cheaper.

MR. BROWNRIDGE: I believe the consumer across Canada is a reasonable person and reasonably intelligent person, and I think if the consumer understands he is going to have to pay more in order to put Canadian content in an automobile, and if we go down the other road and say 100 per cent imports have taken over the market, who is going to buy our automobile?

THE CHAIRMAN: I got the impression in your oral presentation today that you led us to believe that this increased Canadian market for Canadian producers, by promising lower costs, promised a reduction in the selling prices of Canadian produced cars.

MR. BROWNRIDGE: $17\frac{1}{2}$ per cent?

THE CHAIRMAN: How do we guarantee that you don't put more fins on? As long as a cheap car can come in -- in other words, how much do we depend on the import to keep you in order?

MR. BROWNRIDGE: I do not think in the automobile business we depend on the imports from the pricing structures I have been faced with since I have been in the business, we do not have to meet imports to maintain our prices.



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

imports to maintain our prices.

1 THE CHAIRMAN: May I switch to one of my
2 great interests in this whole thing, and here I think
3 you are in a peculiarly strong position to talk to me
4 because of your experience in Orenda. What about the
5 development of industrial research in Canada? Can we
6 really pretend to have secondary industry and automotive
7 industry if we send our best brains to the United
8 States to work in their laboratories?

9 MR. BROWNRIDGE: I am glad I am not still
10 with Orenda to answer this. I think in the
11 automobile industry that the design and the research
12 that is being carried on -- that it would be
13 difficult indeed to break off this research and do
14 the research, part of this research in automobiles in
15 Canada. I think there may be a particular study
16 that the automobile companies may want to have
17 accomplished, where there is an approach offered to
18 them from a Canadian scientist and designer, a
19 revolutionary approach which is away from the
20 general approach in satisfying the consumer. I think
21 that such a situation exists, and if one of the
22 companies wanted to get further interested in the
23 Walker engine or that type of engine, if they want
24 to go further into the gas turbine engine, there is a
25 possibility of that being done. But in relation to
26 the year to year research that is necessary to be
27 competitive and be in the automobile business, I
28 do not see the possibility of that at all, as I would
29
30



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO.

1 THE CHAIRMAN: Do you see any possibility
2 of contract research from the government? Should
3 the government be putting work into your automobile
4 companies, not only with getting the result it wants
5 but with a chance of developing the skills which
6 would put you exporting to the United Kingdom and
7 the United States?

8 MR. BROWNRIDGE: I am an advocate of the
9 long term growth of Canada. You are suggesting that
10 should the Canadian government grant contracts on
11 possible military items which would be to the
12 advantage of Canada. You can put me as a very strong
13 backer of that.

14 THE CHAIRMAN: Perhaps I should have further
15 discussion with you as regards items, because if
16 I can make this sound less like a pipe dream and
17 more like a proposal it may have more chance of
18 acceptance.

19 Well, Mr. Brownridge, I think that this is
20 all that I should ask you. Thank you very much.

21 We will stand adjourned until 2 o'clock.
22
23
24
25
26
27
28
29
30



1 --- On resuming at 2 o'clock p.m.

2 THE CHAIRMAN: I have asked Mr. Brownridge
3 to come back; I have one question on which I think
4 he perhaps can give some information that may be
5 useful to me. This is as to his experience in
6 terms of product sharing in defence programs. Would
7 you just speak to us for a few minutes about this?

8 MR. BROWNRIDGE: Well, the problem facing
9 Canada in the defence industry is that of necessity
10 they have to buy a great many components for the
11 requirements of the defence industry in Canada
12 from the United States, and this is somewhat
13 similar to our own problem, the fact that there
14 are many dollars going into another economy and
15 there is a need for something coming back to the
16 Canadian economy, so there is an agreement between
17 the Canadian government and the United States
18 government to the effect there should be a two-way
19 street and that the American contractors should
20 endeavour to place work into Canada.

21 Now, this caused action to be taken by the
22 Defence Department in the United States, and they
23 wrote a letter to all contractors asking them to
24 investigate and to place in Canada wherever it was
25 economically possible, defence work.

26 Now, to my knowledge this hasn't been
27 terribly successful in relation to the directive
28 from the department of the Defence Department of the
29
30



1 United States, but where it has been it creates an
2 advantage to Canada. When one of the American
3 corporations wants to sell to the Canadian government
4 a particular product -- and I have had some experience
5 on this -- and when the Arrow airplane was cancelled
6 and when there was a requirement in the Canadian
7 government by the R.C.A.F. for replacement of the
8 CF-100 and the F-86 in Europe, practically every
9 aircraft company in the United States that could fill
10 that role -- or, in their minds could fill that role --
11 approached the Canadian government and they were
12 quite prepared, and in writing have stipulated that
13 they would place components in Canada to at least the
14 equivalent dollar value of the components which by
15 necessity, because of high operating costs, had to be
16 brought from the United States, and I was part of
17 the negotiations between the American General
18 Electric Company and the Canadian General Electric
19 Company and our own company, Orenda, and the
20 Department of Defence Production, and in this
21 particular case there was a requirement for some
22 \$80 million for the jet engines in Canada, and there
23 was in this particular instance around \$4 million of
24 these components that it would have been ridiculous
25 to tool in Canada because of their high cost, and
26 there was an undertaking by the American Corporation
27 to buy either from Orenda or other Canadian sources
28 a volume of components equal to or in excess of the
29
30



1 \$4 million spent in Canada, so you had this two-way
2 thing in defence work.

3 Now, that is my knowledge of it and, as I
4 say, in the United States where an aircraft was being
5 sold to the Canadian government, the cost of one
6 submission made in conjunction with Avro was that
7 certain components would be made in Canada for
8 American production; in other words, their production
9 from the point of view of the Canadian economy, if it
10 had been the right selection of aircraft it would
11 have meant many more dollars working in Canada than
12 the total number of dollars expended and that is
13 necessary in the United States.

14 THE CHAIRMAN: Thank you very much. I
15 think this is definitely relevant to the proposals
16 which we had in mind.

17 Mr. Rootes, will you now make your
18 presentation on behalf of the Society of Motor
19 Manufacturers and Traders Limited.

20 SUBMISSION OF THE SOCIETY OF MOTOR
21 MANUFACTURERS & TRADERS LIMITED.

22 Present: Hon. Brian Rootes.

23 MR. ROOTES: Mr. Commissioner, firstly I
24 should like to say how grateful I am for having
25 this opportunity of appearing here this afternoon.

26 I represent the Society of Motor Manu-
27 facturers and Traders Limited, London, England.
28 The S.M.M T. is the main trade association of the
29
30



1 British automotive industry, and has as its
2 members all the principal U.K. manufacturers of
3 passenger cars, commercial vehicles, tractors and
4 parts. I am speaking particularly on behalf of
5 members who export vehicles and vehicle parts to
6 Canada, and I should make it clear that the S.M.M.T.
7 brief has the full support of the Canadian branches
8 of the U.K. automobile companies.

9 We in the U.K. motor industry value the
10 support and co-operation we have always received
11 from the Canadian government and the Canadian
12 people since we began our export drive to Canada
13 after World War II. The Canadian people have
14 shown, by buying British cars in increasing numbers,
15 that ours is a product which appeals to them, and
16 we have been greatly encouraged by their support.

17 We fully understand and sympathize with
18 the problems of unemployment which beset the
19 Canadian government and the difficulties of the
20 Canadian automobile parts industry at the present
21 time. We do not, however, believe that these
22 problems can be solved by restricting imports of
23 British cars.

24 The sale of British cars in this country
25 has created a new segment of the automotive industry
26 and a new market. Nine Canadian subsidiaries of
27 British car and component companies have been
28 established here since World War II. These companies,
29
30



1 plus other distributors and well over 1,000 car
2 dealers depend on sales of British cars for
3 an important part of their incomes and provide direct
4 employment for thousands of Canadians.

5 This new segment of the automotive industry
6 has been developed only after a period of hard
7 competitive struggle. We pioneered a new type of
8 car in this market. To succeed we had to invest
9 millions of dollars in factory parts depots and
10 other service facilities and make many product
11 changes and modifications to suit Canadian tastes
12 and conditions.

13 We enable the Canadian public to buy a new
14 car of a different specification and at a lower
15 price than those produced domestically. This
16 fact is borne out by the increased volume of
17 British cars being sold in Canada.

18 I would like to emphasize this point
19 about our creating an entirely new market by the
20 following example; slightly more than 76 per cent
21 of imported British cars fall into the category
22 below 1,600 c.c. On the other hand, the lowest
23 engine capacity of any Canadian manufactured car is
24 2,294 c.c. and the second lowest is 2,365 c.c.
25 Between them, these two cars share less than five
26 per cent of the total Canadian market. All other
27 Canadian-made automobiles have considerably higher
28 capacity. There are also of course many other points of
29
30



1 difference between British and Canadian cars.

2 We of course, do not question the Canadian
3 government's right to change the basis of "Fair
4 Market Values" for vehicles. Nevertheless, it is
5 bound to have an effect on the price the Canadian
6 consumer will have to pay for our products, and we
7 hope that the Royal Commission will give very
8 careful consideration to the implications of this
9 change. It is impossible to give an exact figure
10 for the increased costs brought about by the change
11 in 'Fair Market Values' as each manufacturer has to
12 negotiate his case with Customs and Excise. However,
13 as a guide - on a British car selling in volume in
14 this country the cost to the importer will be
15 increased by about \$150.

16 We suggest that measures of this sort are
17 inconsistent with the removal by the U.K. of
18 practically all remaining restrictions on the
19 import of Canadian goods, which has resulted in
20 British purchases from Canada in the first eight
21 months of this year running at about 25 per cent above
22 the level for the same period of 1959. The
23 Canadian High Commissioner in London, Mr. Drew,
24 forecasts Canadian exports to the U.K. this year at
25 over \$1,000 million. These include not only primary
26 products from all parts of Canada but also a
27 growing volume of manufactured goods from Ontario
28 and Quebec the great bulk of which enter duty-free.
29
30



1 The fact is that the U.K. is spending far more in
2 Canada than Canada is spending in the U.K., and the
3 U.K. is providing **thousands** of Canadians with jobs.

4 In all the circumstances I have referred
5 to today and which are outlined in the Society's
6 brief to the Royal Commission, we submit that there
7 is no case for imposing increased penalties on
8 imports from Britain of vehicles and other motor
9 products.

10 THE CHAIRMAN: Thank you, Mr. Rootes. I
11 wonder if I could first deal with this point which
12 you referred to rather briefly in your oral
13 presentation, which you rather strongly put in your
14 brief which you submitted, that this is a new
15 segment of the motor car market that you are
16 supplying and, indeed, on page 4 of your brief you
17 say:

18 it has been stated that part of the
19 fall in Canadian motor car production
20 has been caused by imports. We submit
21 that this is not the case so far as
22 imports from Great Britain are concerned
23 and that British cars, in providing a
24 commodity different from the Canadian
25 product, should be regarded as an
26 addition to the total sales of motor
27 vehicles achieved by Canadian producers."



1 Are you prepared to stand by that fully?

2 MR. ROOTES: I don't know what you mean by
3 "fully".

4 THE CHAIRMAN: Was it a truth or a half
5 truth, if I may be so blunt?

6 MR. ROOTES: I would say possibly the import
7 of British cars may affect the used car sales to
8 some extent, but in the main, if you want to buy a
9 new car, if you were going to buy a British type,
10 it is quite different to the Canadian type produced
11 car. This is a difference not only in c.c.'s, as I
12 have illustrated, but in many other ways; dimensions
13 of size and economy of operation, and in many ways
14 I think every member of the Canadian public wishes
15 to buy a competitive, economical and easily handled
16 car, and they choose a British car.

17 THE CHAIRMAN: If there had been 70,000 less
18 imports, there would have been 70,000 less sales in
19 Canada?

20 MR. ROOTES: I don't think it is that
21 extreme.

22 THE CHAIRMAN: But that is what you say?

23 MR. ROOTES: No.

24 THE CHAIRMAN: That is why I asked whether it
25 was a truth or a half truth.

26 MR. ROOTES: I think that certainly a decrease
27 in British cars, that that reduction would not have
28 effected an equal increase in Canadian cars.

29 THE CHAIRMAN: I would agree with that. I think

30



1 there is a good point there, that all your sales are
2 not sales at the expense of Canadian cars, and my
3 guess is that about half of them are, and this is a
4 lot.

5 MR. ROOTES: I wouldn't put it as high as
6 that.

7 THE CHAIRMAN: Although I am a pedestrian, I
8 occasionally buy cars for my family, and I can say
9 that my family are quite definitely looking at, let
10 us say, a Hillman at the same time they are looking at
11 a Falcon, and to say that they would either buy a
12 Hillman or nothing is nonsense; they may decide to
13 buy a Hillman instead of a Falcon.

14 MR. ROOTES: I think this was a little over-
15 simplified.

16 THE CHAIRMAN: Yes, I think it was, but let
17 us get it straight.

18 MR. ROOTES: I don't believe the choice is
19 between a Hillman and a Falcon; it may be between a
20 Hillman and a used car. I believe that the Hillman
21 is offering something different; for instance, you
22 take the wheel base, I believe the Falcon wheel base
23 is 108 inches, while the Hillman is 96, the over-all
24 length, a lot less, and the economy of operation is
25 less, and I think if a member of the public wishes
26 to buy a car of our type they will not choose a Falcon.

27 THE CHAIRMAN: It just happens that my wife
28 has just made this particular choice.

29 MR. ROOTES: Not against a Hillman, I hope.
30



1 THE CHAIRMAN: Yes! It makes it sound so
2 plausible to put it into wheel base and c.c.'s, and
3 so on, but when you look at the consumer he is
4 only going out to buy a car and buying a cheapish
5 car -- I am not sure how cheap a car, of course --
6 but he is looking at even the Valiant and the Corvair
7 and the Falcon and the Hillman and the Rover, and
8 some of the expensive English cars. I know that we
9 have a Jaguar man at the table.

10
11 -

12
13 -

14
15 -



1 MR. ROOTES: Surely, the great big
2 difference applies to the specifications. Nevertheless,
3 there is a great difference.
4

5 THE CHAIRMAN: There is a great difference
6 between the Falcon and the Corvair.

7 MR. ROOTES: And the cost of operation is
8 different, too.

9 THE CHAIRMAN: We have to decide -- I had
10 better not go too far, because I have feelings on
11 this subject, but I might say that getting repairs
12 made to an imported car is occasionally like
13 arranging for a hair-do.

14 MR. ROOTES: I do not agree with that at
15 all. I would say we have just as good service as
16 anyone else, and we certainly have spent a lot of
17 money -- as I have stated in my brief, we have
18 spent a lot of money in establishing ourselves
19 here, and we have a big parts service. I do not think
20 service is such a big factor in regard to foreign
21 cars today.

22 THE CHAIRMAN: I should say that my remark
23 does not particularly apply to English cars, but
24 surely we have to agree that these are not two
25 separate markets, and that what you sell does affect
26 what the domestic producers sell.

27 MR. ROOTES: To a limited extent, but I
28 do not think -- as you have said, you do not buy a
29 British car if you are going to buy a compact car.
30



1
2
3 THE CHAIRMAN: You might buy a Pontiac.
4 You have even got a choice there.

5 MR. ROOTES: I think at the price we
6 sell our cars we enable people to buy a new car who
7 could not otherwise buy one.

8 THE CHAIRMAN: Here there is the other
9 side of it. Let us look at the effect on the
10 domestic producer. The cheaper cars, I agree, are
11 alternatives to second-hand cars, but what does
12 that do to the second-hand car market?

13 MR. ROOTES: It affects it to a certain
14 extent, yes.

15 THE CHAIRMAN: And what does it do to the
16 cost of operating a domestic car -- operating it in
17 the sense of buying it, operating it and then
18 turning it in? Does it not, in fact, put up the
19 real price of the domestic car?

20 MR. ROOTES: I would have said that the
21 used car values on domestic cars, and depreciation,
22 are proportionate to, or about the same as, what
23 they are on a popular English car.

24 THE CHAIRMAN: Are they not less since
25 the popular English cars came in?

26 MR. ROOTES: I do not think that is so.

27 THE CHAIRMAN: You have said they are
28 substitutes for second-hand cars?

29 MR. ROOTES: I suggest the change in used
30



1
2
3 car values is because you have competitive
4 conditions.

5 THE CHAIRMAN: But, nevertheless, it
6 is a change --

7 MR. ROOTES: It has changed with respect
8 to British cars as well.

9 THE CHAIRMAN: Can you tell us about that?

10 MR. ROOTES: The conditions of today have
11 automatically had the effect of increasing the
12 depreciation on British cars.

13 THE CHAIRMAN: Can you tell us how that
14 has changed with the cost of British cars?

15 MR. ROOTES: I could not give you an
16 exact figure, but I would say the percentages are
17 comparable on both types of cars.

18 THE CHAIRMAN: Just following along on
19 this particular point where I say it is a half,
20 and you say it is three-quarters, surely we are
21 dealing there with the highly specialized types --
22 the sports car and the Land Rover? These, I would
23 agree, are not competitive, but what proportion
24 of the total English sales can reasonably be
25 considered to fall in the specialist group rather
26 than in the group of cheap transportation?

27 MR. ROOTES: I cannot admit -- do you mean
28 to tell me that all other British cars are directly
29 competitive? I do not think they are at all; I
30



1
2 really do not. First of all, I know that price,
3 which we will come to later, contains a difference in
4 taxes, but it is only a small part of it, and in
5 any event we have to pay more now, but I submit
6 the real difference is that we make a different
7 type of product. Our product is to a different
8 specification, it is of a different size and for
9 a different purpose and a different economy, and
10 you cannot just say that is directly competitive
11 to the Canadian car and therefore should not be
12 allowed.

13 THE CHAIRMAN: I did not say it should
14 not be allowed; no, no.

15 MR. ROOTES: The Canadian public should
16 have the right to buy what it wants.

17 THE CHAIRMAN: I did not say it should
18 not be allowed to buy what it wants. Please, do
19 not think I have made up my mind, or am likely to
20 do this or that, but my terms of reference require
21 me to look into the competitive position of the
22 Canadian industry vis-a-vis the world, and the
23 United Kingdom among others. Surely, there is
24 a segment -- I thought we had agreed on this
25 already -- there is a segment of the market which
26 is an adequate and sufficiently close substitute
27 to come into one's ken when one wonders whether to
28 buy an imported car or a domestic car, and then
29
30



1
2 there are others where this does not enter into it
3 at all?

4 MR. ROOTES: I agree that there is a segment,
5 but I do not think you can take all medium sized cars,
6 which I think is what you are suggesting, and say
7 that that is the total segment which would auto-
8 matically be replaced by compact cars. I do not
9 believe it would. I believe there is a portion of
10 that which would not be replaced by compact cars
11 because that is not the type of car that people
12 want. You have got your sportscars and other
13 cars which are outside.

14 THE CHAIRMAN: How big a group is this?

15 MR. ROOTES: I honestly do not know. I
16 would say it is, possibly, 20 per cent, but I
17 honestly do not know.

18 THE CHAIRMAN: It is not very big?

19 MR. ROOTES: No, I would think the biggest
20 bulk of the sales is in the other class.

21 THE CHAIRMAN: Then, there are the very
22 little cars which I also put in this specialist
23 class, but the big sales surely are all of what,
24 from your point of view, are the big cars and, from
25 our point of view, the little ones?

26 MR. ROOTES: Yes.

27 THE CHAIRMAN: Therefore, the big sales are
28 the ones where the competitive angle is involved?

29 MR. ROOTES: To a certain extent, but I
30



1
2 still maintain they are not directly competitive.

3 THE CHAIRMAN: What do you mean by
4 "directly competitive"?

5 MR. ROOTES: Because they are of different
6 specifications, different size and a different
7 price.

8 THE CHAIRMAN: But there are two kinds of
9 toothpastes. One has factor X in it, and the other
10 has factor Y in it. Their specifications are
11 different, but they are directly competitive?

12 MR. ROOTES: You might as well say that a
13 Cadillac is competitive with a Chevrolet.

14 THE CHAIRMAN: No, but a Cadillac is
15 competitive with a Lincoln, and their specifications
16 are completely different -- and with a Rolls-Royce,
17 for that matter.

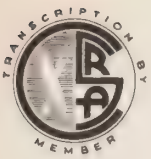
18 MR. ROOTES: I honestly do not know. You
19 are not comparing two like models -- in this last
20 case you are not.

21 THE CHAIRMAN: I think you picture the
22 buyer as an engineering expert of a quality that most
23 Canadian buyers do not represent.

24 MR. ROOTES: All we can judge by is the
25 fact that the Canadian buyers are buying our products.

26 THE CHAIRMAN: Yes, for one reason that they
27 happen to be cheaper.

28 MR. ROOTES: I do not say it is price
29 only.
30



1
2 THE CHAIRMAN: But you are arguing that
3 it is not price at all.

4 MR. ROOTES: No, I do not.

5 THE CHAIRMAN: Then, in that case they are
6 directly competitive, and price does enter into it.
7 You are also competing in that you are providing a
8 different kind of car, and that is proper competition,
9 but when you try to tell me they are not competitive
10 then you are saying they do not fall within my
11 terms of reference, namely, the competitive position
12 of Canada vis-a-vis the rest of the world. You do
13 not mean to say that?

14 MR. ROOTES: No, I agree with that.

15 THE CHAIRMAN: I have to look at how
16 competitive you are, and when I am looking at that
17 I am considering what proportion of your product is
18 so different that even I, a pedestrian, can say
19 that it is the sort of thing I want to buy, or whether
20 I want to buy the domestic product, but I am also
21 interested in the volume where I can say: "Should
22 it be this and I save \$200 or \$300, or that where I
23 have to cut off on some other expense?"

24 MR. ROOTES: I believe, if you take the
25 last few years, you will see we have created a new
26 segment of the market where people who before
27 would not have thought of owning a new car can now
28 own one. That is, surely, the real point.

29 THE CHAIRMAN: This is the impact of the
30



1
2
3 much cheaper car, and that is why rule that in this
4 special class.

5 MR. ROOTES: No, it is true of our volume
6 sellers as well.

7 THE CHAIRMAN: They will buy a new car
8 instead of a second-hand one?

9 MR. ROOTES: Yes.

10 THE CHAIRMAN: Well, that may be, but even
11 so the competitive position still becomes very im-
12 portant, does it not, because it has changed the
13 price of the second-hand car? Can I turn to your own
14 market, since you produce such cars that it worries
15 us? Is it not a little odd that you need so
16 much protection?

17 MR. ROOTES: You are referring to the
18 25 per cent duty that Mr. Walker referred to yester-
19 day. Well, the position there is -- of course, first
20 of all, I think we should look at it from the broadest
21 point of view and not from the point of view of the
22 motor industry only. Today there are very few
23 products exported to the United Kingdom from Canada
24 which attract any duty whatsoever. Most of them
25 enter free. It so happens, unfortunately, that an
26 automobile is one of the few items still left
27 which attracts a 20 per cent duty. If it was a
28 question of merely adjusting the duty on Canadian
29 cars, I do not think that that would present any
30



1
2 great difficulty, but the problem is that when we
3 adjust the duty on a Canadian car we automatically
4 have to make a corresponding reduction to all most
5 favoured nation countries. This, in effect, means
6 that any reduction we make has to be made to the
7 whole of the world. I am sure you appreciate this
8 has to be looked at from the point of view of over-
9 all world trade, and it presents many problems
10 which are not associated with Canada directly.

11 THE CHAIRMAN: This appears from some
12 submissions from Europe. If we can give you a
13 preference --

14 MR. ROOTES: We do give a preference.

15 THE CHAIRMAN: Then, you can give us a
16 bigger preference.

17 MR. ROOTES: We cannot without reference
18 to the others, having regard to GATT.

19 THE CHAIRMAN: GATT is negotiable.

20 MR. ROOTES: If the duty on imported cars
21 is 30 per cent the Commonwealth preference is one-
22 third of that so therefore it is 20 per cent.
23 If we gave Canada a reduced duty we would have
24 to offer automatically a proportionate reduction
25 to all most favoured nation countries. Therefore,
26 it is not a question of purely Canada, but the
27 overall position throughout the world has to be
28 looked at.

29 THE CHAIRMAN: I still suggest it is
30



1
2 negotiable, but what about the administrative
3 barriers we were told about? Are we as difficult
4 with you as you are with us?

5 MR. ROOTES: I made inquiries about that,
6 and I understand the Canadian Government made
7 some representation to the British Government last
8 May, and Her Majesty's Customs and Excise in
9 England have taken action to remove those problems
10 and difficulties. I think that is a problem which
11 has been already solved.

12 THE CHAIRMAN: That is good news, although
13 Mr. Walker is not likely to have been asking about
14 conditions of last April when he spoke yesterday
15 if that is so.

16 MR. ROOTES: The complaint was made in
17 May. To my knowledge action has since been taken,
18 and there is no further complaint.

19 THE CHAIRMAN: Just to go back to this
20 matter again, do you need 30 per cent against the
21 rest of the world?

22 MR. ROOTES: On fair market value?

23 THE CHAIRMAN: No, your M.F.N. rate of
24 30 per cent. You are a great industrial nation,
25 thoroughly established. We poor Canadians are
26 perfectly prepared to accept free entry from
27 England, and we have built up an industry against
28 that. Do you, a much bigger country with a
29 preferred market over the world, need a 30 per
30



1
2 cent protection?

3 MR. ROOTES: I do not think it is a
4 question of whether we need it, or not.

5 THE CHAIRMAN: It is nice to have it?

6 MR. ROOTES: You cannot negotiate for
7 one country only.

8 THE CHAIRMAN: Yes. Suppose, in order to
9 give us a lower rate, you have to --

10 MR. ROOTES: Well, that is not a matter
11 for me. It is a matter for the Government. They
12 are negotiating on GATT at the moment.

13 THE CHAIRMAN: It may be a matter for the
14 Government when you get it, but surely it is a
15 matter for your society to know whether you need
16 it or not, or arguing whether they should get it
17 for you?

18 MR. ROOTES: You must appreciate that we
19 pay equally high duties into other countries.

20 THE CHAIRMAN: So do we.

21 MR. ROOTES: But if you can negotiate
22 you have got to negotiate on one type against
23 another. We pay 30 per cent to Germany, and we
24 cannot reduce our duty without reducing the duty
25 to Germany.

26 THE CHAIRMAN: Supposing we wanted to
27 get, and asked for, world free trade in regard to
28 automobiles, what would be the British attitude?
29
30



1
2
3 MR. ROOTES: I think that would be too
4 far fetched, if I may say so.

5 THE CHAIRMAN: I am not sure that it is. I
6 rather think that our Canadian manufacturers would
7 say: "That puts us on a fair basis, and now we
8 can go to town". Incidentally, I think you would
9 see some rather specialist cars in England.

10 MR. ROOTES: I think over a period of
11 years we could get it reduced. We all want to see
12 that, but it has got to be done over a period of
13 years.
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



1 THE CHAIRMAN: But as an objective?

2 MR. ROOTES: As an objective we would like
3 to see it, yes, over a period of years.

4 THE CHAIRMAN: Could I ask you how this
5 affects your attitude and what behaviour we can
6 expect? I don't want exact figures, but roughly,
7 the Canadian sales of English cars as compared with
8 the domestic sales of English cars -- what is the
9 proportion of the total production? How much is for
10 domestic use and how much for Canada and other
11 countries?

12 MR. ROOTES: Taking our total exports, the
13 exports to Canada represent 11 per cent -- of our
14 total exports.

15 THE CHAIRMAN: 11 percent of exports; but
16 what percentage of production?

17 MR. ROOTES: Well, about $5\frac{1}{2}$ per cent,
18 I think.

19 THE CHAIRMAN: It is 50 per cent of the
20 production for domestic.

21 MR. ROOTES: Yes, that is right.

22 THE CHAIRMAN: Which are the biggest export
23 markets?

24 MR. ROOTES: Well, I would say that the
25 United States and Australia are the biggest two
26 markets -- export markets.

27 THE CHAIRMAN: Still Australia?

28 MR. ROOTES: Yes, the United States and
29 Australia; and, of course, the continent of Europe taken
30



1 as a whole is a very big market. I would think
2 that Canada is probably the third biggest.

3 THE CHAIRMAN: May I then, for a moment,
4 discuss with you a recent action?

5 MR. ROOTES: Yes.

6 THE CHAIRMAN: You heard comment here
7 yesterday on the discriminatory character of the
8 sales and excise tax?

9 MR. ROOTES: Yes.

10 THE CHAIRMAN: As between the imported car
11 and the domestic producer. Would that make you
12 feel that there was some basis for distress on the
13 part of -- if you were a domestic producer wouldn't
14 you have been rather worried by seeing them imposed
15 at that level and higher levels?

16 MR. ROOTES: Well, I think I would look
17 at it as it is today with this \$150 increase, which
18 is quite serious for us.

19 I think I can express it this way -- this
20 probably is slightly easier for me -- and that is
21 that my company has available 2,200 dealers in
22 England. The price at which we invoice to them
23 includes all our sales after sales costs; in other
24 words, advertising service, sales and administration --
25 the whole of our costs. When we export overseas
26 obviously those costs are not carried in the
27 United Kingdom but are carried on the overseas
28 market, and, therefore, it is normal for us to invoice
29 at a lower price to the overseas market.
30



1 Under this new regulation which has just
2 been established we are now paying sales and excise
3 tax on the price for sale to the dealer in the U.K.;
4 therefore, we are paying the sales and excise tax
5 on all our sales cost in the United Kingdom. I
6 submit that that is really very comparable to the
7 price at which the sales and excise tax are spread in
8 this country.

9 THE CHAIRMAN: On the other hand, the
10 domestic manufacturer is paying sales tax on a price
11 which covers a great deal more items because it is
12 at a high level?

13 MR. ROOTES: Well, I agree.

14 THE CHAIRMAN: Putting all the costs of
15 selling together; and the domestic producer pays
16 sales tax on it. The British importer doesn't.

17 MR. ROOTES: But we pay on the basis of the
18 whole of our sales cost in the U.K., which is a
19 comparable figure.

20 THE CHAIRMAN: But it is obvious that the
21 earlier ruling was one which would have -- you
22 can understand it being objected to?

23 MR. ROOTES: The reason it was done was
24 because Customs and Excise recognize that those
25 costs of sales and also our volume were not
26 comparable in the U.K. to what they were earning.

27 THE CHAIRMAN: I guess we won't go back
28 into that because I wasn't present; but I think it
29 was intended to give you an advantage because at that
30



1 stage the market needed it and we could afford to
2 give it.

3 MR. ROOTES: Yes; it was done on the basis
4 of cost of sales.

5 THE CHAIRMAN: But you heard yesterday,
6 again, that even the present basis isn't quite --
7 that until the domestic producers are allowed to
8 presume a Wholesale and be allowed to be charged on
9 the assumption that they are giving a discount to
10 a presumed wholesaler there would not be equity on
11 the basis of the excise which is intended not to
12 affect the competitive position of the two countries.

13 MR. ROOTES: Mr. Walker stated yesterday
14 the difference in the sales price tax paid on a
15 Canadian car and on a Vauxhall was, I believe, \$51 or
16 \$53. If our price was going to increase by about
17 \$150...

18 THE CHAIRMAN: That raises another problem.
19 The decision of the National Revenue surely did two
20 things: It changed the basis for sales tax and
21 excise but it also dealt with that which we
22 discussed more privately...

23 MR. ROOTES: Yes.--

24 THE CHAIRMAN: ...using the language which we
25 didn't like -- the "dumping aspect".

26 MR. ROOTES: Yes.

27 THE CHAIRMAN: I have here a book by Maxcy
28 & Silverston in which there is the statement: In
29 nearly all cases the whole market prices of these cars

30



1 are below the prices of the same cars in the three
2 export markets quoted." I haven't got the correct part. At
3 any rate, what I am getting at is that the export
4 price seems generally to be a little below?

5 MR. ROOTES: For the reason I have explained
6 -- our costs of sales are not in the domestic
7 market, they are in the overseas market.

8 THE CHAIRMAN: So far as dumping is con-
9 sidered, it is the relationship of the export to
10 domestic price?

11 MR. ROOTES: But there are very few countries
12 where such a duty is imposed.

13 THE CHAIRMAN: What about your own dumping
14 duties? Suppose we send you cars instead of the
15 other way around? Wouldn't we find ourselves treated
16 as you are now suggesting that we should be treated?

17 MR. ROOTES: I am not suggesting that, but
18 I believe that in most countries it has to be proved
19 that dumping has taken place, and it isn't automatic.
20 In the case of Canada it is automatic. That is why
21 I think the problem arises that we have to invoice
22 here at a higher value.

23 THE CHAIRMAN: Under the new rule it will
24 be possible for you to prove that you are entitled
25 to more than the 20 per cent?

26 MR. ROOTES: Yes; but still based on our
27 discounts in England.

28 THE CHAIRMAN: The fair market value in the
29 domestic market?

30 MR. ROOTES: Yes.

THE CHAIRMAN: This is the law.

MR. ROOTES: Yes, it is the law; but what I



1 am saying is that ...

2 THE CHAIRMAN: It is bad law?

3 MR. ROOTES: No; it is more stringent;
4 because in other countries we can invoice at a lower
5 price than we can in Canada.

6 THE CHAIRMAN: But the effect is that, in
7 terms of the law, this change is merely putting into
8 effect the rules that you have supported. This is no
9 change in the law.

10 MR. ROOTES: It is a change, so far as
11 we are concerned, of importance.

12 THE CHAIRMAN: It is a change in
13 administration?

14 MR. ROOTES: Yes.

15 THE CHAIRMAN: Yes; but I do say that the
16 Canadian public is entitled to consider whether
17 its domestic producers have to compete with
18 their domestic price or
19 importers who are selling below/who are selling
20 at their domestic price. In other words, there are
21 some people who would say: "Let us take them." And
22 that would be very hard...

23 MR. ROOTES: It is not a question of that,
24 is it; but I do suggest from the point of view of
25 Canada as a whole that you must look at it from the
26 point of view of what we are purchasing; that is,
27 the over-all trade balance must be affected,
28 and the fact that we are buying so much more from
29 Canada and are exporting British cars to Canada,
30 representing a very big percentage of our total
exports, does mean that if we allow a continued adverse



1 balance of trade it is going to be very difficult
2 and it will affect workers in Canada and to quite
3 a big extent.

4 THE CHAIRMAN: I can assure you that I will
5 not consider the automobile industry in isolation;
6 but, nevertheless, I must press you a little on this
7 particular aspect of the automobile industry. On
8 these other aspects you will be supported later in
9 the afternoon, I think, by an organization from
10 British Columbia and by others.

11 One of the interesting things to me -- and
12 I don't know whether it is fair to ask you to
13 comment on this -- is that the real problem of
14 competition from imports comes from two American
15 firms in Britain rather than any of the English
16 firms. Is it, really, that the Americans with their
17 knowledge of the North American market have, in
18 fact, been able to do something over here that the
19 English -- the truly English -- firms have not
20 succeeded in doing? Take out Ford and General
21 Motors and we wouldn't be worried by the English
22 imports.

23 MR. ROOTES: I think, to start with, it is
24 quite obvious that Ford must have an advantage by
25 having so many dealers operating in this country.
26 That is why we are spending so much money in building
27 up an organization over here. It takes time to
28 develop this organization which we are now doing
29
30



1 doing and have done, and we have got service across
2 the country now.

3 I think Mr. Walker said that he was
4 entirely independent of Detroit in what he decided
5 to do, and I think in the case of British
6 manufacturers the same thing is true -- that they
7 decide on the methods of distribution. It doesn't
8 mean that the British manufacturers are not doing it,
9 and they are doing it and their volume is increasing.

10 THE CHAIRMAN: You said how much you love
11 us. To show you how much we love you, why don't you
12 come and live with us a bit?

13 MR. ROOTES: You mean assemble?

14 THE CHAIRMAN: Yes.

15 MR. ROOTES: First of all, let me say that
16 in our industry in the United Kingdom we are
17 certainly not averse to assemble. We assemble in
18 many countries of the world -- Australia, South
19 Africa and New Zealand -- all over the world.

20 THE CHAIRMAN: But, just a minute. What
21 level of tariff have they?

22 MR. ROOTES: I couldn't tell you; it is
23 rather complicated.

24 THE CHAIRMAN: Very high?

25 MR. ROOTES: But the reason why we do not,
26 or have not assembled, in Canada was because it has
27 not proved, on our figures, to be economical to do so.
28 It is somewhat easier for the United States
29 manufacturer to assemble here than it is for us,
30



1 because, first of all, they are just over the
2 border and they can ship their parts up comparatively
3 easily. We have 3,000 miles across the sea. We
4 have to pack the parts in special packages and have
5 to treat them specially to avoid the effect of the
6 sea, and the costs are high.

7 Secondly, whilst we sell a lot of cars
8 here the volume, with the exception of Vauxhall,
9 is quite small. It is not maintained at about
10 5,000 units per model, and, therefore, it is
11 difficult to produce at an economic rate for such a
12 small volume of production.

13 THE CHAIRMAN: Have you told Mr. Grundy this?

14 MR. ROOTES: Mr. Grundy said 10,000 and
15 others said 5,000.

16 Also, of course, our specifications are
17 so difficult that we would not be able to buy spare
18 parts, or production parts, from existing sources,
19 and I am afraid Mr. Grundy will be disappointed if
20 he thinks production we introduce into this country
21 will help his buying, because I don't think it
22 would.

23 Fourthly, our labour costs are somewhat
24 lower which, again, offsets, as it were, the case
25 of the States which is slightly higher, and so far
26 as British Columbia is concerned. We ship to
27 there by the Panama Canal and can land there at
28 lower freight rates than if we had to pay the
29 internal freight rate and in B.C. we would be
30



1 considerably worse off.

2 All these factors lead us to believe --
3 to think -- that under present conditions it wouldn't
4 be economic to assemble.
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



1 THE CHAIRMAN: The present conditions,
2 anyway, the tariff conditions, of course.

3 MR. ROOTES: Yes.

4 THE CHAIRMAN: And this is the way you have
5 been induced to assemble elsewhere?

6 MR. ROOTES: Yes. It would take a very
7 high tariff to make us economic.

8 THE CHAIRMAN: I have been trying to get
9 people to give us very rough estimates.

10 MR. ROOTES: I would be glad to do so later.

11 THE CHAIRMAN: I think this is important.

12 MR. ROOTES: We like to employ local labour,
13 but it is no good if the price is going to be so
14 high to the consumer that they can't afford the
15 better products.

16 THE CHAIRMAN: Perhaps I should ask this of
17 someone else, but since you will have some influence
18 on your government, I think it is fair. You have
19 heard us discussing possibility of integration with
20 the United States or with any other country that is
21 prepared to go with us. Now, any such arrangements
22 would, I suppose, be considered in Britain as
23 reducing the margin of profit.

24 MR. ROOTES: The thing is, I think, that our
25 problem is slightly different to the States in that
26 we are 3,000 miles across the sea, and therefore
27 anything that is done is more difficult. Mr. Brownridge
28 has mentioned Norway and Sweden. Now, as from the
29 first of September all import restrictions have been
30



1 taken off in Norway. So I don't think this is a
2 very valid case for integration. But as far as we
3 are concerned, we do buy as replacement costs quite
4 a lot from Canadian automotive parts manufacturers.
5 I know in our case we buy all glass, all tires,
6 most of our accessories domestically in Canada, and
7 we try the best we can to buy domestically.

8 THE CHAIRMAN: Would you be prepared to let
9 me have at a later date a statement of amounts
10 involved?

11 MR. ROOTES: Yes, certainly.

12 THE CHAIRMAN: I am afraid you misunderstood
13 my question. Once we would take on cars free,
14 then we can't offer any advantages. Suppose we,
15 by some such arrangement, make freer movement of
16 cars between other countries and us, would you in
17 Britain feel that this, by narrowing the preferential
18 margin, was something for which you would want to
19 get other advantages in return? In other words,
20 do you consider that we can't arrange, get any
21 freer trade with anyone else because we have given
22 you a preference?

23 MR. ROOTES: Well, you have asked me
24 personally, but I am afraid I don't know what the
25 government's attitude to that would be.

26 THE CHAIRMAN: There seems to be only one
27 item on which I can get almost complete unanimity.
28 I failed politically this morning. I take it you
29 consider the excise^a/tax which might reasonably be
30



1 removed on both imports and domestic cars.

2 MR. ROOTES: We would most certainly
3 welcome that, yes, sir.

4 THE CHAIRMAN: Since I have to build up
5 evidence on this, do you in Britain impose any special
6 tax? I don't mean licences, and so on?

7 MR. ROOTES: We have a purchase tax, yes.

8 THE CHAIRMAN: This is on everything?

9 MR. ROOTES: Yes

10 THE CHAIRMAN: Is it especially hard on
11 cars?

12 MR. ROOTES: It is 50 per cent
13 of the wholesale price. It is very high.

14 THE CHAIRMAN: What about furniture?

15 MR. ROOTES: It is much less. I think it
16 is 10 per cent. I am not certain. It is much
17 higher on cars than anything else.

18 THE CHAIRMAN: So in a sense you can't
19 tell the Canadian government that in Britain such a
20 tax would be unthinkable?

21 MR. ROOTES: It is one of our main points
22 on which we are always pressing the government. It
23 is an unfair burden.

24 THE CHAIRMAN: It is highest on cars.

25 MR. ROOTES: There may be something else,
26 but it is very high.

27 THE CHAIRMAN: What about refrigerators?

28 MR. ROOTES: That is quite high; but I would
29 think that motor cars are as high as anything except
30



1 pure luxury goods.

2 THE CHAIRMAN: In other words, it is treated
3 as a luxury.

4 MR. ROOTES: More or less, yes.

5 THE CHAIRMAN: So in this case you are
6 joining with us in trying to get rid of it.

7 MR. ROOTES: We are continually trying to
8 get purchase tax reduced because it is one of our
9 biggest handicaps there.

10 THE CHAIRMAN: I think that is all that I
11 want to discuss with you. I realize that in
12 trying to get at the truth I have to probe, and I
13 hope nobody thinks that they are going to be able to
14 guess beforehand what my ultimate conclusions will
15 be by the nature of my examination .

16 Thank you , Mr. Rootes.

17 MR. ROOTES: Thank you, sir.

18 THE CHAIRMAN: I think perhaps we may
19 adjourn for ten minutes. We will meet at ten after
20 three.

21

22 THE CHAIRMAN: Before we resume, I would like
23 to make two statements, one with reference to my
24 questioning of Mr. Rootes about the possibility of
25 them lowering -- giving us a preferred position in
26 the United Kingdom market. I don't think that it is
27 necessary to go into detail, but I am assured by
28 various officers of the United Kingdom High Commissioner's
29 Office that a misunderstanding may have been created,
30



1 and that the difficulties of negotiating anything
2 of this sort under GATT is much greater than I
3 suggested. However, it is of no real importance in
4 relation to my commission, I think. I was merely,
5 I am afraid, trying to draw the attention of the
6 United Kingdom to the fact that they operated behind
7 the tariff and that they should be a little more
8 sympathetic when we were worried about free entry of
9 English cars, and my proposals for entering their
10 market were not being very seriously pressed.

11 However, I should also make a clarification
12 with regard to the special duty which I like to call
13 a dumping duty, and the suggestion was that this was
14 not quite proper. I would like to make it clear
15 that the fair market value or value for duty based
16 on price in the country of export is consistent with
17 GATT, that the Canadian law was changed in 1948 to
18 comply with GATT. At any rate, on this particular
19 point we are not in any trouble with GATT.

20 The next submission is by Volkswagen Canada
21 Limited, by Mr. Jansen.
22
23
24
25
26
27
28
29
30



SUBMISSION OF VOLKSWAGEN CANADA LIMITED

Present: Warner Jansen,
Managing Director.

MR. JANSEN: Mr. Commissioner, may I first express my gratitude to be able to present the case of my company to you today, Volkswagen Canada Limited, and may I state at the outset how grateful we are for the splendid acceptance which we have found in this country ever since we came here eight years ago for our product, as a company and as individuals. Obviously we are not qualified to comment on the difficulties of Canadian automobile manufacturers. I should therefore restrict myself to pointing out a few areas in which we feel that Volkswagen makes a rather important contribution towards the Canadian economy. My brief speech will be divided into three such areas: Firstly, we feel that Volkswagen fills a need in this country; secondly, Volkswagen sales in Canada help West Germany buy Canadian products; thirdly, Volkswagen provides employment in this country.

The first point, Volkswagen fills a need in this country. Volkswagen is, of course, of a size and type which has not been made and is not being made in North America. That did not come about by accident. Volkswagen came from a country where, as a consequence of the second world war, the standard of living was comparatively low and where costs for operating were extremely high



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 217 -

1 and still are extremely high, especially costs
2 of taxation, insurance, and this had to be taken
3 into account when we designed an automobile for
4 postwar Germany.
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30



Secondly, we have to apply certain technical features which were in keeping with conditions in Western Europe, and which we found out afterwards were much to the liking of quite a few Canadian customers, and I mention only air cooling gear. I will not go on enumerating the advantages of Volkswagen because otherwise you might be under the impression now that we know that Mrs. Bladen has bought a Hillman that I might try to talk you into a Volkswagen!

THE CHAIRMAN: She didn't.

MR. JANSEN: The success story of Volkswagen is pretty unique, and for that reason I will take the opportunity of expounding on it in a few sentences.

The production of Volkswagen started in 1948 and comprised 4,000 units. The production in 1959 was 705,000 vehicles, and in 1960 we expect to produce 850,000 and in 1961 we expect confidently to reach the one million mark.

This production is possible and the cost of expansion is made possible because the production is based on a very large home market. Next year the West Germany home market alone will absorb more than half a million Volkswagen vehicles.

In addition, we started early to build up our export organization which now comprises 130 countries. The proportion between inland



2

- 219 -

market and export countries being about 50-50. We employ 63,000 people; we have been working in two shifts since 12 years ago continuously; we have never laid off our personnel; we have lost by strike only two hours in 12 years.

The success is mainly the result of a good product, and I have to say that because I am a salesman. However, it is just as much the result of Volkswagen's basic philosophy, and that is to maintain a basic design and to introduce improvements whenever they are ripe for production.

We have never subscribed to the idea of end-year model changes; we have never spent money simply to create an end-year model change. We never have subscribed to the idea of building artificial obsolescence in an automobile. That is not my term, but it has been used on various occasions before.

The happy result is, then, that customers all over the world have come to like these basic ideas, and that the re-sale value of a Volkswagen is notoriously higher. In other words, we try to protect the customers' investment in the automobile rather than trying to devalue it.

I believe I am safe in saying that there is no factor in the world today which adheres to this one model policy as strictly as we do, and which has production figures which are equal or



nearly equal to ours.

You heard yesterday Mr. Walker say that Vauxhall production is, I believe 250 or 280,000 units; ours this year is 850,000. The ultimate result of all this is, of course, that money is not spent, as I said, on changes; money is spent on improving our product, on increasing and improving our production facilities, and the ultimate result is then a higher standard of quality, and that is where the customer benefits.

A happy by-product of our design is that it is operated at very low cost, and this is an item which we didn't think would be too important in Canada when we came here, but we found to our satisfaction that it is very appealing to Canadian consumers, and then, of course, there is the small size of our car which contributes to better manoeuvrability, an item which we were forced to eloquently underline this morning.

Now, to summarize, we feel that we have created an automobile which is unique, which does not exist on the North American market, and we even believe that we can claim a modest share in the change of thinking of the North American manufacturers.

We were not included in the first wave of imported cars, which Mr. Todgham vividly described yesterday; we were the second wave, and a more successful wave, apparently, and the fact



4 1
2
3 that Volkswagen's conception has caught on so well
4 undoubtedly has helped to change the North
5 American manufacturing thinking in many respects.

6 We noticed this year no addition in
7 commercial vehicles. We are satisfied with this,
8 obviously, and we feel that it helps to underline
9 what we have been preaching for years, that
10 transportation can be economical and at all costs
11 can be honest and sincere.

12 The second area where we feel we are
13 making an important contribution is in trade
14 relations between Canada and Western Germany. It
15 is a truism which is given to us, but I must
16 repeat it; that trade is a two-way street, and
17 Canada long ago recognized that she must buy
18 from her customers if she wants to be successful
19 in her export trade. Canada occupies a very
20 high position in export trade, and it so happens
21 that West Germany in total volume for export and
22 import occupies the third position as Canada's
23 customer.

24 I will give one or two figures here.
25 Canada purchased during the last seven years since
26 we have been here, \$560 million-worth of goods
27 from West Germany; West Germany bought over \$818
28 million, out of which \$340 million was spent on
29 Canadian wheat.

30 Now, Volkswagen's share in West Germany's



1
2
3 export is about 25 per cent. It is by far the
4 largest single item in the trade relations between
5 the two countries, and it is easy to see how important
6 Volkswagen is, then, in maintaining a proper balance
7 of trade between the two countries.

8 May I mention in this connection one
9 factor which has not been mentioned before, but
10 which is quite interesting to know; the custom
11 duty, the amount of custom duty which we paid in
12 the seven years of our operation amounts to \$18
13 million, and this is in addition, of course, to the
14 sales and excise tax, which in our case amounts
15 to roughly \$20 million.

16 There is one more interesting sideline,
17 if I may mention that. We can assume that
18 Volkswagen customers by buying a Volkswagen, have
19 saved on the average \$1,000 as against purchasing
20 a Canadian automobile. If you multiply this
21 figure by the 130,000 vehicles which we have sold
22 so far in this country, you come to an amount far
23 above \$100 million, which amount was made free
24 for spending on other consumer goods, and also
25 apart from the savings in operating these auto-
26 mobiles.

27 My final point is that Volkswagen gives
28 employment to quite a few people in this country.
29 First, our own operation on the Golden Mile in
30 Toronto-Scarboro, we employ 450 people; we have a



1
2
3 spare parts depot with an inventory value of \$9
4 million, and we have one department to which I
5 would like to draw some attention; that is, our
6 reconditioning department for reconditioned engines
7 and transmissions.

8 One important item design feature in the
9 Volkswagen is that the engine can be changed in
10 less than one hour. Our mechanics at the
11 Canadian National Exhibition two years ago demon-
12 strated it, did it in seven minutes, and, of course,
13 nobody wants to believe it, but it is true, it
14 can be changed in less than one hour. Obviously,
15 this advantage can only be expounded if our dealers
16 have engines ready in stock, and in order to
17 shorten the pipeline, we have undertaken to re-
18 condition these engine transmissions ourselves.

19 Two, it is not a very big operation;
20 we employ only 50 mechanics, 50 skilled mechanics.
21 What we wanted to do -- and for that reason I
22 mention this -- wherever possible we tried to
23 employ Canadian labour. This is important because,
24 although it may sound strange, we would be able to
25 send such engines to the factory in Wolfsburg,
26 bring it back and pay transportation costs both
27 ways and still deliver the engine at a lower price
28 than the reconditioned engine in Canada. We still
29 do it here. Our dealers like it.

30 We have a dealer organization of 320



1
2
3 dealers all over the country, and they in turn employ
4 about 412,000 people, and we have made investments
5 on fixed assets alone of about \$18 million. It
6 is also important to know that nearly all these
7 dealers were not franchise dealers before; lots of
8 them were built up when we came here from the used
9 car dealers and from general repair shops and even
10 from the foundation of new businesses. We haven't
11 infringed on anybody's territory; we have never
12 tried to take away dealers from any of the existing
13 companies; we have built up our own organizations.
14 It is a lengthy process, admittedly, but it now
15 turns out to be a very successful one.

16 All of our dealers are, I am happy to
17 say, financially in a very healthy condition, and
18 practically without exception they are still with
19 us after seven years.

20 That is my submission, sir.

21 THE CHAIRMAN: Let me ask you first what
22 are the most favoured rates on automobiles entering
23 Germany?

24 -

26 -

29 -



1

2

3

MR. JANSEN: It is constantly reduced now.

4

As you know, we belong to the economic common market,

5

the six countries being Belgium, France, Italy,

6

Holland, Luxembourg and West Germany. The rate in

7

the beginning was 20 per cent, roughly, and it has

8

now been reduced on the average to about 15 per

9

cent. The rate will be decreased in this area --

10

THE CHAIRMAN: Within this area?

11

MR. JANSEN: Yes, within this area --

12

in the course of a further eight years to nothing or

13

zero.

14

THE CHAIRMAN: What about the rates for

15

those of us who are not within this area?

16

MR. JANSEN: That is an undecided issue.

17

We have EFTA and the common market. It would be

18

extremely desirable to have the two areas, EFTA and

19

common market, into one. For that reason many dis-

20

cussions have been going on, but I cannot predict

21

anything.

22

THE CHAIRMAN: And all of this still

23

excludes Canada?

24

MR. JANSEN: Yes, Canada has not really come

25

up because there have been no Canadian exports to

26

West Germany.

27

THE CHAIRMAN: What has the new value for

28

duty ruling done to you, or do you know yet?

29

MR. JANSEN: This has not come as a

30

surprise; I say that in all fairness. Secondly,



1
2 I recognize, in all fairness, that it is completely
3 within the right of the Department of National
4 Revenue to do what they have done. We have enjoyed
5 the best of treatment for eight years, and the
6 English have for ten years. We knew it would come
7 at some time. It has now come, and we are prepared
8 for it.

9 THE CHAIRMAN: Have you any estimate as
10 to what difference it will make to your price? I
11 am not asking you for anything that you do not want
12 to divulge, but what is the order of magnitude
13 of --

14 MR. JANSEN: It falls into two categories.
15 First of all, we must pay a higher purchase price to
16 our factory, and on that higher purchase price we
17 must pay a higher duty, customs and excise, and
18 sales tax. The latter one can easily be determined.
19 That could be \$50 or \$60 per car. The other, the
20 price at the factory, has not been determined yet.
21 That needs some serious discussion in Wolfsburg,
22 of course. Some English manufacturers may absorb
23 this portion of it. I cannot make such a state-
24 ment, but I can assure you it will be nothing that
25 hurts our business very seriously.

26 THE CHAIRMAN: Of course, if they do
27 absorb it there remains the question of whether
28 the Department of National Revenue will think they
29 have been selling below the fair market value.
30



MR. JANSEN: Yes, it depends on each market, of course.

THE CHAIRMAN: You have not told us the domestic sales last year. The domestic sales for the Volkswagen would be what?

MR. JANSEN: For the past year, 350,000, and for this year about 400,000.

THE CHAIRMAN: And the Canadian sales are what?

MR. JANSEN: They would be about 4 per cent, I would think -- no, they would be more. We sold last year a total of 32,000 units, and we expect this year to reach about 34,000. That includes commercial vehicles which constitute about ; 4,000 out of the total, and out of 400,000 roughly 32,000 would be about 4 per cent.

THE CHAIRMAN: And your exports are to 30 countries. Where does Canada rate in this list?

MR. JANSEN: Second; a very good position.

THE CHAIRMAN: Who is first?

MR. JANSEN: The United States. We expect to sell in the United States, as a matter of interest, next year maybe 200,000 vehicles made up 160,000 passenger cars and 40,000 trucks. We are the only importers, if I can make such a statement here, which has increased its share last year by a margin of about 40 per cent.

THE CHAIRMAN: You heard me argue a little strongly with the Hon. Mr. Rootes the question of



4 1
2
3 of whether these imports were added to the market
4 or whether they were competitive. Do you consider
5 your cars being simply added to the total sales,
6 or would you go along with me and admit that at
7 least in part they have cut into sales of domestic
8 cars?

9 MR. JANSEN: I am ready for such an
10 admission right away. I think you have definite
11 segments here so that I can take advantage of the
12 situation by saying that our car is more unique,
13 if I may use that adjective without talking down
14 the English cars. Our car is different from what
15 now exists on the market, so the probability is
16 that the segment we have added to the industry is
17 greater in our case than in any other.

18 THE CHAIRMAN: But I have to treat you
19 as a competitor.

20 MR. JANSEN: Of a minor nature, I hope?

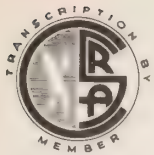
21 THE CHAIRMAN: I also have to follow the
22 same line of question as I did before when I
23 indicated how happy we would be to have the British
24 manufacturers living in Canada with us. What
25 inducement would we have to offer you before you
26 expanded your engine reconditioning to assembling,
27 let us say, in Canada?

28 MR. JANSEN: As to assembly, sir,
29 assembly, as is known, does not create many jobs.
30 If we really go seriously towards securing jobs



for Canadian labour we would have to go into manufacturing, obviously, and that is a very difficult matter. It is not a matter of incentive as much as it is a matter of structural differences, and that has not been mentioned in the discussion.

Mr. Rootes did not mention -- and maybe I might say it now -- that in judging such possibilities it is important, in my opinion, to distinguish between the various countries of origin. If American Motors and Studebaker can assemble and manufacture cars in this country -- this is difficult enough for them even though their country of origin is the United States and they have a wage level which is even higher than that in Canada but, they have, at least, a chance to come close to the price of an imported product by doing what they do. English products and even more so, German products, come from low wage countries, although the words "low wage" should lead nobody to believe that we employ slave labour, or that we are living below the level of bare existence. It is a case, as Mr. Todgham pointed out yesterday, of the normal conversion ratio. We pay a German worker the equivalent of 50 to 60 cents an hour, whereas we pay hereon the average, \$2 an hour, or even more, and that is the basic issue. Can we compete in what we try to do here against such a low wage country where the wages are



1
2
3 in the ratio of 1 to 3, or 1 to 3-1/2. Secondly,
4 can we ever hope to come close in quality and in
5 production techniques to a factory which produces
6 next year one million cars, as against our 30,000?
7 That is the basic issue. In other words, how
8 expensive can it be made for the Canadian consumer
9 to buy a Volkswagen because it is made in Canada?

10 THE CHAIRMAN: That is what I meant by
11 asking how big is the inducement. Can I press
12 you a little on that point? Is your assembly in
13 Germany all in one plant?

14 MR. JANSEN: Yes, in one plant. In
15 that we are pretty unique, I believe, too. The
16 main factory is at Wolfsburg, and there we employ
17 45,000 people, and all passenger cars are assembled
18 in the one factory, and all commercial cars
19 in another factory, in contrast to the United
20 States where there are many assembly plants all
21 over the continent.

22 THE CHAIRMAN: The general view seems
23 to be that the economies are not so great in
24 assembly as they are in manufacture?

25 MR. JANSEN: That is right.

26 THE CHAIRMAN: But you find the economies
27 in assembly have been so great that you have
28 concentrated it in one operation?

29 MR. JANSEN: That was not our basic reason.
30 The reason why we started at Wolfsburg was because



1
2
3 the factory was in existence there during the war,
4 although it was destroyed by practically two-thirds
5 and had to be rebuilt. That made us start in
6 Wolfsburg, which exists only for Volkswagen pro-
7 duction. Later on we found we could not draw
8 enough labour from this one place and we had to
9 move to other cities, such as Hanover, Kassel and
10 Brunswick. The labour situation in Germany is
11 very different from what it is in Canada. We
12 have no unemployment. As a matter of fact, we
13 have a million jobs vacant which cannot be filled.
14 In the case of West Germany it is not a case of
15 exporting unemployment.

16 THE CHAIRMAN: In other words, we
17 could relieve the problem to West Germany by
18 buying fewer cars?

19 MR. JANSEN: Yes, you could.

20 THE CHAIRMAN: I do not think you will
21 find you will have many friends who decide to
22 show their friendship in that way. You have heard
23 me discuss with the Canadian companies who have
24 American parents the possibility of some sort of
25 integration, some sort of production-sharing or,
26 to use Mr. Brownridge's phrase, some sort of
27 production bridge. When I think of this, I think
28 not only of the United States, but of any country
29 where this would work. Can you see any possi-
30 bility, if the Volkswagen completed car came in



free to Canada, of it paying Volkswagen in Germany to import components more or less to that amount?

MR. JANSEN: It could definitely be explored, and I would promise our full co-operation in exploring it. Maybe the Parts Manufacturers' Association and I could get in contact and find out what Canada can offer, and our factory can find out where we need relief, and it could well be that we could establish such direct inter-company trade relations, although the obstacle in the way of prices again is very stiff, especially when transportation costs plus existing Germany duties are added.

THE CHAIRMAN: What would be the duty on parts going into Germany?

MR. JANSEN: I do not know off hand.

THE CHAIRMAN: It could be rather higher than the American?

MR. JANSEN: Yes, it could be, but I might say this is interesting, from an economic angle. The German Government is suffering from an over-heated economic boom at present, strange as it may sound here in Canada, and is at present trying all possible means to increase imports into Germany in order to increase the offerings of goods in Germany with the hope of keeping prices in Germany down. We are only thinking



1
2
3 in terms of tax relief to importers. One example
4 is that the importation of automobiles is completely
5 uninhibited into West Germany. The result of that
6 is that Fiat from Italy was last year
7 the third largest selling make of car in West
8 Germany. That is surprising in a country which
9 has such a strong automotive industry. We try to
10 entice more Fiats into Germany in the hope of
11 relieving this pressure of being over-heated. With
12 reference to this aspect of inter-company trade
13 relations I might say that two or three years ago
14 we switched the purchase of magnesium, which we
15 were buying from Norway, completely to Canada to
16 the amount of \$1.5 million per year. That, again,
17 is not very much, but it is the first step and
18 it can be exploited even further.

19 THE CHAIRMAN: What about aluminum for
20 aluminum parts? Does this play any part?

21 MR. JANSEN: Yes, we use magnesium
22 alloy, which is a step further, we feel, because
23 it is lighter, but aluminum could be explored,
24 too. There may be many possibilities.

25 THE CHAIRMAN: I would be grateful if
26 you would make such explorations and let me know
27 if anything develops that appears to be of interest.

28 MR. JANSEN: Yes, surely.

29 THE CHAIRMAN: Thank you very much, Mr.
30 Jansen.



1
2
3 THE CHAIRMAN: Will you come to order,
4 please?

5 Now we have Mr. Nicholson, President of
6 the Council of the Forest Industries of British
7 Columbia.

8
9 SUBMISSION OF
10 THE COUNCIL OF THE FOREST INDUSTRIES OF
11 BRITISH COLUMBIA

12 PRESENT:

13 Mr. J. Nicholson - President

14 MR. NICHOLSON: Mr. Commissioner, at the
15 outset may I say, on behalf of what we consider to
16 be a most important segment of Canada's basic
17 industries, how much we appreciate the op-
18 portunity to present our views to you today. They
19 are views of an entirely different nature from
20 anything you have heard, but we are putting them
21 forward in the sincere hope that you will find them
22 useful to you in your inquiry.

23 In view of your remarks yesterday at
24 the opening of this inquiry that you had had
25 an opportunity to read the individual briefs I
26 propose to take advantage of your very practical
27 suggestion and depart from the brief and touch
28 on the phases in the submission which, I think,
29 perhaps, are worthy of a little more attention
30 than some of the others.



1
2
3 The interest of the Forest Industries of
4 Canada, and, primarily, British Columbia for whom
5 I speak, is quite different from that of any interest
6 that has appeared before you. You have heard the
7 representatives of the automobile manufacturers
8 and you have heard representatives of the dealers of
9 imported cars. We have heard some observations
10 from you, Mr. Commissioner, as a consumer; and we
11 have heard, and pardon me saying so -- a very
12 illuminating and helpful presentation by Premier
13 Frost. As a native of the free-trading Maritimes of
14 Canada and as a resident, for many years, of free-
15 trading Western province, it was refreshing and
16 encouraging to hear, from the part of Canada that
17 we consider to be the protectionist section of the
18 Dominion, the constructive line that we have heard
19 from the grass roots level this morning.

20 Now, as you know, the forest industry has
21 a very special interest in maintaining markets
22 abroad. The forest industry is by far Canada's
23 most important, first in employment, first in new
24 investment, first in net value of output, the
25 highest taxpayers and the first producers for
26 foreign exchange, and it is in this field that
27 our interest arises.

28 Approximately one-third of Canada's
29 exports are forest products; approximately somewhere
30



1
2
3 between 1,600,000,000 and 1,700,000,000 are derived
4 from the sale of our forest products abroad. But
5 the special interest of British Columbia, Mr.
6 Commissioner, in this inquiry, arises out of the
7 fact that we export 70 per cent of our forest pro-
8 duction in this one province, and that 70 per
9 cent represents more than one-eighth of the total
10 of Canada's export -- commodity export. Practically,
11 or approximately, 50 cents of every dollar that
12 is earned in British Columbia comes directly or
13 indirectly from our forest industry; and we must
14 export 70 per cent of that production to maintain
15 our existing economy without taking care of future
16 population growth.

17 As you have said in your introductory
18 remarks, I am the President of the Council of the
19 forest industries of British Columbia, but it
20 might be of interest to know that this Council
21 covers all sections of the industry from the planting
22 of the trees and their harvesting and logging
23 through to finished products as far down the line
24 as we can go. We represent loggers, the
25 lumber manufacturers, the shingle manufacturers,
26 plywood and so on, and our special interest,
27 if I may use a colloquialism, is to "sound a
28 warning note" on behalf of Canada's exporters
29 that, in trying to provide more employment
30 for the auto manufacturing industry and the



1
2
3 parts industry, important though they may be, you
4 are not persuaded to recommend, or to make recom-
5 mendations, that might make it more difficult,
6 or, perhaps, impossible for us to sell our export
7 surplus in the forest, mining, fishing and
8 agricultural production in the highly competitive
9 world market of today.

10 It might be worth mentioning that, in
11 the province of British Columbia, in the forest
12 industry there are more people employed -- that
13 there are more than twice as many people employed
14 in the forest industry than there are in the
15 automotive industry and the parts industry in the
16 rest of Canada -- more than twice.

17 Yesterday we had at least one of the
18 representatives of the Canadian automotive industry
19 advocate higher tariffs to encourage secondary
20 industries, including the automotive industry.
21 We heard the same gentleman and others recommend
22 the repeal of what they referred to as the dis-
23 criminatory excise tax on automobiles. It might
24 be well, at the outset, Mr. Commissioner, to say that
25 the Council of the forest industries of British
26 Columbia strongly support any action that will
27 correct taxing inequities operating against
28 Canadian manufacturers. We have gone on record
29 more than once that no section or segment of our
30 Canadian industries should operate under a



1
2
3 discriminatory tax or a tax inequity. I am very
4 pleased, because it is one of the few points on
5 which I am in agreement with some of the gentlemen
6 here.

7 THE CHAIRMAN: You are against the excise
8 tax?

9 MR. NICHOLSON: Yes; or any other tax
10 inequity that might exist. But while we go that
11 far I repeat what I said at the outset, that we
12 sincerely do not believe that any move -- some of
13 which have been suggested here -- that would make
14 it more difficult and, in some cases, impossible
15 for our good customers to buy our exports, should
16 be encouraged in order to further the interests
17 of the automotive industry.

18 There is unemployment in industry
19 other than in the automotive industry. In British
20 Columbia, for instance, we have a serious unemploy-
21 ment situation in our own industry, primarily in
22 lumber, plywood and shingles due to the drop in
23 house-starts both in Canada and in the United States;
24 but this has also affected the logging operation.
25 The only real bright spot of all four of these
26 sections of the forest industry of Western Canada --
27 the only bright spot is the substantial increase
28 in export to the United Kingdom and to elsewhere,
29 extending to Germany, the two countries from which
30



1
2
3 most of our imported cars come to Canada. This
4 increase, Mr. Commissioner, is largely due -- and
5 this can be shown in the case of the United Kingdom --
6 is largely due to the fact that these countries
7 now have the dollar exchange with which to buy
8 Canada's export. In this connection I shall refer
9 to part of the brief which we filed with you. I
10 refer particularly to page 6, continuing on to
11 page 7, as I think these figures are rather
12 startling:

13
14 "As a result of the increased
15 prosperity in the United Kingdom,
16 brought about largely by the tremendous
17 upsurge in her exports, Canada sold
18 to Britain last year almost one-third
19 or more in dollar-value than we bought
20 from that country ..."

21 and this year the indications are that it will be
22 much more than that -- that there will be at least
23 two-thirds differential in Canada's favour. Last
24 year the value of Canada's export was between 600
25 and 700 million dollars to Great Britain. This
26 year it will be closer to \$1 billion. Last year
27 one-fifth of the goods, or the commodities, that
28 Canada exported to the United Kingdom were forest
29 products. This year the percentage will be
30 considerably higher.



ANGUS. STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

- 240 -

1
2
3 During the period -- here I am departing
4 from the brief to illustrate it -- during the
5 period that followed the ending of the war Canada
6 shipped tremendous quantities of her forest pro-
7 duction, including lumber of all kinds and the
8 other production which I mentioned, and newsprint,
9 but they were paid for largely by finance from
10 the Canadian Government
11
12
13 -
14
15
16 -
17
18
19
20 -
21
22
23
24 -
25
26
27 -
28
29
30



1 and with the help of the Marshall Plan from the
2 United States, and when that help fell off our
3 forest product business with the United Kingdom
4 dropped off tremendously. We found ourselves,
5 instead of being the largest supplier of such goods
6 into Great Britain -- as we were in 1954 -- reduced
7 to fourth place. Sweden was first, Finland second,
8 and Norway -- we were neck-and-neck with Russia
9 for third and fourth place respectively; but last
10 year the pendulum started to swing the other way, and
11 this year, due to the favourable dollar position
12 that Britain occupies, we are now up running neck-
13 and-neck with Sweden for first place. It is a
14 remarkable change, and due largely to the improved
15 dollar position of Great Britain.

16 Our exports of softwood products, of which
17 there are a large number, the most important of
18 which is newsprint -- our exports of softwood ran
19 less than 8 million pounds sterling in the first
20 seven months of 1959, and during the same period of
21 1960 they were practically double that. It is an
22 amazing change, and in no small degree the increase
23 comes from the sale of automobiles from the United
24 Kingdom, which is the largest single factor in
25 their exports to this country.

26 Forest products alone that were shipped
27 during the years 1958 and 1959 -- Canada's exports
28 to the United Kingdom averaged \$133 million; the
29 value of motor vehicles imported into Canada during that
30



1 period was approximately 25 per cent of that
2 amount -- \$32 million as against \$133 million.

3 Now, not only do we feel that this mutually-
4 beneficial two-way trade between Canada and the
5 United Kingdom should be encouraged, but I join with
6 Mr. Jansen in stating one of the true facts of life,
7 that trade is no one-way street; it is usually
8 multilateral and in many cases has a two-way trend.

9 In the case of Germany, Canada's commodity
10 exports to Germany in the years 1957 and 1959 averaged
11 approximately \$141 million. Canada's exports of
12 commodities to Germany in the year 1958 exceeded
13 \$200 million. Now, that was an extraordinary situation
14 there, due to some export of some automobiles. But
15 if you take the average for the two years 1957 and
16 1959 Canada's total imports from Germany during
17 that period, as against exports which averaged
18 \$141 million, our imports were \$110 million; and it
19 is a very significant fact that those figures do not
20 include, as pointed out in our brief, Canada's exports
21 to Germany that go through the Netherlands and through
22 Dutch ports, which, if they were added on to the
23 German figures, would show that the balance in Canada's
24 favour would be much more noticeable and much more
25 important -- if we took in the imports into Germany
26 from Canada through these two countries.

27 Now, apart from the singular fact that while
28 Canada has moved into the position of a manufacturing
29 nation over the last 40 years, the very significant fact
30



1 that stands out is that the proportion of our
2 exports -- that is of manufactured goods -- in
3 relation to our other exports has never increased.

4 Canada has become the world's fifth
5 largest trading nation largely through the export of
6 our basic materials and semi-finished products to
7 these other countries. We have a special interest --
8 and when I say "we" I refer to Canada and, more
9 particularly, the Province of British Columbia on
10 behalf of whose forest industries I am now speaking --
11 we have a special interest and one that can be
12 developed in association with Mr. Jansen's review
13 of the spectacular figures he gave here today.
14 Taking the plywood industry of Canada, 85 per cent
15 of all plywood made in this country comes from
16 British Columbia. Most of it is consumed in
17 Canada, and the only really bright spot that the
18 plywood industry have had during the period of
19 unemployment -- and employment has dropped over 25 per
20 cent -- is the increased export to the United
21 Kingdom primarily and to elsewhere -- extending to
22 Germany. Our plywood sales last year to the United
23 Kingdom from British Columbia were \$7 million.
24 This year the indications are they will double.
25 But the very important fact is that the large part
26 of those increases arise out of the fact that plywood
27 from British Columbia is used for the packages in
28 which the British car manufacturers ship their cars
29 to all parts of the world; and we have only skirted
30 the market. But the results have been phenomenal. The



1 plywood sales to the automotive industry have gone
2 up from roughly \$1 million to \$3 million in less
3 than a year, and the indications are that we can
4 treble them within 12 months.

5 That market for Canadian plywood in the
6 automotive industry in the United Kingdom represents
7 a gain from the Baltic countries. Those packages
8 were made from Baltic softwood until British Columbian
9 plywood went into the picture.

10 Sales of plywood in Britain -- these are
11 comparative figures, but I think they are
12 significant -- in 1955 our sales of plywood were
13 18 million square feet. In the first half of this
14 year alone they were over 100 million square feet;
15 so that by the following year we would expect they
16 would be 200 million square feet or more; and if
17 Britain doesn't have the dollars to buy our plywood
18 they will probably go, I expect, to the Baltic
19 softwood.

20 Now, very recently -- and this is where I
21 get some encouragement from Mr. Jansen's rather
22 fantastic figures -- they are fantastic -- they are
23 phenomenal, to say the least -- Canadian plywood,
24 or western Canadian plywood, is receiving increased
25 acceptance with the automotive industry in West
26 Germany, including the Volkswagen Company. They are
27 following the trend followed in England, and I can
28 see, if they are going to export a million cars,
29 the tremendous possibilities to the Canadian economy
30 of such a move.

- - -



1 I can say quite frankly, in view of the
2 drop in housing starts in Canada and the United
3 States over the last eleven months, with a 25 per
4 cent drop in the production in the plywood
5 industry alone in British Columbia, that if it had
6 not been for the United Kingdom market the situation
7 for the British Columbia plywood manufacturers would
8 have been very serious; and the automotive industry,
9 as I have said, is a very important part of that
10 industry.

11 Mr. Commissioner, yesterday one of your
12 representatives of one of the companies -- I believe
13 it was Mr. Todgham -- said that if money is
14 spent in the United Kingdom or the United States
15 it was done and his company couldn't get even one
16 or two cents, I think the expression was used.
17 But I can assure you that the Canadian forest
18 and fishing and mining industries were not only
19 getting back a hundred cents but were getting 50
20 per cent interest rate on it in all cases to the
21 sale of exports.

22 It is not in our brief, Mr. Chairman, but
23 I would perhaps put in a word for the secondary
24 industries. We can do with more secondary industries
25 in this country, a lot of them.

26 THE CHAIRMAN: Thank you for those kind
27 words for Ontario.

28 MR. NICHOLSON: But surely the industries
29 will be the ones that can use our natural resources and
30



1 our materials to the best advantage. There are
2 companies in this country which are using Canadian
3 raw materials and exporting successfully. I can
4 think of the Consolidated Mining and Smelting
5 Company with their exports in fertilizers, the
6 synthetic rubber plant in Sarnia, with which I was
7 associated in its first ten years, exporting in
8 competition with other countries. The automotive
9 industry may be one of those same types. A comparison,
10 perhaps, with the farm implement industry may be a
11 good example. We have free trade in farm implements
12 between Canada and the United States, and most
13 people in this room will remember the prediction of
14 dire consequences to the industry because of that.
15 The same was said when the free movement of newsprint
16 was commenced, and yet both industries prospered
17 in the commodity free trade in these products;
18 and I think, with respect, that there is a lot of
19 merit in your suggestion that a selective free
20 trade in the automotive industry in parts would
21 have great possibilities based on what has
22 happened in these other industries. At least I
23 think the people of the Maritimes and western Canada
24 would benefit in that free trade; they wouldn't
25 pay that premium of a thousand dollars on every
26 automobile, when they have to sell their fish and
27 lumber with the people across the Maine.

28 On that note I would close, Mr. Commissioner.
29 It is not in the brief, but I think it should be explored
30

1

THE CHAIRMAN: Thank you, Mr. Nicholson.

2

3

As to your final remarks about agricultural

4

implements, I think it was suggested to Mr.

5

Keenleyside the possibility of some tax deal I have

6

been talking about, and I have at the moment a study

7

of the operation of arrangements under the

8

agricultural implements industry underway, in the

9

hope that it may be suggested.

10

I don't want to ask you very much. Perhaps

11

I would like to ask you one or two rather provocative

12

questions.

13

I understand that the Canadian government

14

has asked the Japanese government to put a voluntary

15

quota on exports of plywood to Canada. In other

16

words, these free trade sentiments don't stand up in

17

British Columbia when it comes to plywood.

18

MR. NICHOLSON: With all due respect,

19

the free trade stands up in British Columbia,

20

with one possible exception, plywood, and I can give

21

you the reason for it. There is a very good reason

22

for it.

23

THE CHAIRMAN: Perhaps it is only fair, since

24

I have drawn attention to it, that you should say

25

something about it.

26

MR. NICHOLSON: Actually there is not only

27

some plywood coming into Canada from Japan which

28

doesn't compete with our British Columbia plywood,

29

which is a hardwood, but the Canadian plywood industry

30

has been built up -- it is a special type of plywood; it



1 is made of the softwood fir, and it is specially
2 prepared for exterior application in Canada. If you
3 use another type of plywood used for interior
4 decoration which doesn't deteriorate, you can make
5 the plywood for roughly 50 per cent of the cost of
6 the other, and the Canadian public can't tell the
7 difference between the two products; even the
8 Canadian Customs can't tell the difference. In our
9 brief which has been filed this is gone into at
10 considerable length, and if a formula can be found
11 to correct that unique situation in plywood, we
12 would welcome free trade in plywood and all forest
13 products.

14 THE CHAIRMAN: Suppose we take the other
15 suggestion. I gather that the Japanese automobile
16 industry is now developing very effectively. Of
17 course, it is very close to British Columbia. You
18 would happily see Japanese cars enter under the
19 normal tariff arrangements.

20 MR. NICHOLSON: Under normal tariff
21 arrangements. The tariffs that exist today should
22 be sufficient.

23 THE CHAIRMAN: You have no problem?

24 MR. NICHOLSON: No problem. In fact, I
25 would think that the softwood plywood, being^a/somewhat
26 lighter material -- we could perhaps do the same
27 in the Japanese market in packaging of their exports.

28 THE CHAIRMAN: I think really what I mostly
29 want to say is this, that I assure you that the
30



1 repercussions of anything that is done about the
2 automotive industry will not be ignored, that I
3 recognize it is my duty to consider the automotive
4 industry in ^{the} context of the whole economy and not
5 as an industry by itself.

6 MR. NICHOLSON: As I said in my original
7 letter to you, it is only in the hope that we can
8 sound this warning note that we are here at all.

9 THE CHAIRMAN: It is a very useful note, and
10 I thank you.

11 I have a note about tomorrow. For the
12 convenience of the Interprovincial Farm Union Council,
13 we are going to hear their submission first at 9.30.
14 After that we shall follow the order of the
15 submissions as it appears in the mimeographed
16 sheets.

17 We will adjourn.
18
19
20
21
22
23
24
25
26
27
28
29
30

